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HOW TO MANAGE
BUILDING ASSOCIATIONS.

A
DIRECTOR'S GUIDE

AND
SECRETARY'S ASSISTANT.

WITH
FORMS FOR KEEPING THE BOOKS AND ACCOUNTS.

TOGETHER WITH RULES, EXAMPLES, AND EXPLANATIONS, ILLUSTRATING THE VARIOUS PLANS OF WORKING.

BY
EDMUND WRIGLEY.

Third Edition,
REVISED AND ENLARGED.

PHILADELPHIA:
JAMES K. SIMON,
No. 29 SOUTH SIXTH STREET.
1880.



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PREFACE TO THE THIRD EDITION.

SINCE the publication of the first edition of this book the Legislature of Pennsylvania has passed two Acts relating to Building Associations, viz.: the Act of April 29, 1874, authorizing and regulating certain corporations, and the Act of April 10, 1879, relating entirely to Building Associations, enlarging, defining, and limiting their rights and privileges. These laws will be found in full in the Appendix. The Act of 1879 remedies, to a very great degree, defects in former laws, and places building association interests in Pennsylvania in a much firmer position, legally, morally, and socially, than they have ever before attained.

In addition to important corrections throughout the work, an explanation of the "Advance Interest Plan" of formation has been added to the fifth chapter. The present edition thus contains all that is new in respect to methods and plans of practical work and organization.

PREFACE.

IN the autumn of 1869 the author of the present volume published a little book entitled "The Workingman's Way to Wealth, a Practical Treatise on Building Associations, showing what they are and how to use them." It was intended as an explanation of the principles of co-operation as applied to that class of saving funds or banks for the people popularly known as Building Associations, the object therein chiefly aimed at being the illustration of the advantages of the mutual system to the individual. It viewed the system entirely from the stockholder's standpoint, and was not intended as a guide to the management and administration of the business operations of a society.

The present work is intended to supply the information necessary to a clear understanding of the rules by which the administration and management of a Building Association should be governed. It treats of the subject from the directors' and executive officers' point of view, and goes much more largely into details than was necessary in the former work.

This book is prepared as an answer to a great number of inquiries that have come to the author, during the past three years, from all parts of the United States,

from persons seeking information relative to the proper mode of keeping accounts, the rules for adjusting profits, and the numerous details of management. In the endeavor to supply the information asked, the author has labored chiefly to show the spirit of the co-operative system and the equitable rules that govern it, feeling confident that, where these are fully comprehended, there will be little difficulty in the management of a permanent Building Association under any legitimate plan of construction.

The numerous inquiries above alluded to have been an efficient aid to the writer, as showing him the exact nature of the various wants to be supplied by a work of this kind.

The chief difficulties contended with in the preparation of the following pages resulted from incongruities in the Act of April 12, 1859, under which all the incorporated Building Associations of Pennsylvania, with a few exceptions, are working. That Act was intended by its framers to be a complete and thorough authorization of a co-operative system of banking; but owing to the want of experience in the serial issue of stock, constituting what is known as the "permanent plan" of organization, (then almost entirely a new feature,) they failed to provide fully for all the complications arising under that plan, and in some instances authorize measures that are not in harmony with the co-operative system. These inconsistencies it has been found necessary to point out in order to present the inherent principles of co-operation fully to view and apply them with nicety to the various plans of working now in vogue.

The first part of this book treats of these different

combinations and of the intermediate effect and ultimate result of their varied operations, closing with rules and suggestions for the conduct and management of the Building Association under all the ordinary phases of business.

The second part is intended as an assistant to secretaries in the systematic arrangement and statement of accounts. It represents one year's business of a permanent Association, comprehending the work of two semi-annual terms resulting from the issue of two half-yearly series of stock. It sets forth the form for stating and keeping the accounts of individual stockholders, and contains the forms of the collateral books, certificates, and documents necessary to a complete record of business operations.

This book is intended as a chart, by the aid of which a given scheme may be conducted to a successful issue on known and well-defined principles, without the necessity of experimenting on mere theories based on false conceptions of the rules that govern the science of co-operation. If it will aid intelligent officers and managers in discharging their responsible duties, and in any measure help them to keep the Building Association up to its present high standard of integrity and success, and assist the stockholder to a correct knowledge of his rights and privileges, the hope that inspired its preparation will be realized.

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HOW TO MANAGE BUILDING ASSOCIATIONS.

INTRODUCTORY.

CO-OPERATION.

THE name by which the now popular and rapidly spreading system of Co-operative Banking is known and called, to wit, *Building Association*, conveys no idea whatever of its nature or character. The term "building" leads the novice to think only of a combination having for its main object the building of houses, or perhaps the buying and selling of houses, on some plan of partnership in the profits resulting from a combination of capital employed in this way. The building of houses, however, is not a *necessary* part of the mutual system of saving and borrowing money. "A Mutual Saving Fund and Loan Association" will loan or advance money to a *member*, and the borrower may build or buy, or use the money in trade, business, or speculation, at his pleasure; the association merely *loans* or *advances* the money, the loan being secured by a

pledge of the stock and a mortgage of some approved real estate, consisting of land and buildings, or land without buildings, or, perhaps, only the stock or shares of the particular association, if of sufficient value to secure the loan. The profit resulting from the employment of the capital of a Mutual Saving Fund and Loan Association does not come from building or buying or selling on the part of the association; it accrues from interest and the premium or *bonus* paid by borrowing members for the use of the money advanced. The word "building" was probably brought from England with the earlier plans of the system as practised in that country some forty or fifty years ago, under the title of Building Clubs, (a part of that system being the building of houses for members,*) and becoming incorporated in the title, has remained ever since to misdirect the mind of the inquirer from the true nature and character of the institution it represented.

It seems, therefore, proper and necessary to assert at the outset, that a Building Association is not a *Building* Association, — being in reality
✓ a Mutual Saving Fund and Loan Association, based on strictly co-operative principles.

In his recent work entitled "Topics of the Day," Dr. Elder, in touching upon the subject, says: "In common use, the term *co-operation* is restricted to such organized combinations of indi-

* We are informed by a recent English publication that the building of houses is not practised by the English societies of the present day.

viduals as are designed to relieve them, as far as practicable, of intermediates in productive industry or commercial exchange. Co-operation is partnership in profits *equitably distributed* in proportion to the severalties of capital, labor, skill, and management.

"This is more exactly the description of those associations which are properly called 'Co-operative Labor Societies,' or partnerships of industrial producers.

"Another, and in natural order an earlier, form of co-operative business associations are partnerships of consumers, who purchase in gross such commodities as they require for ordinary use, and distribute them according to their several needs, *at the least possible cost* of distribution; being jointly the owners and venders, and severally the final purchasers of the goods provided. . . . This form of the movement is known as 'Co-operative Stores.'

"There is a third form, the natural outgrowth of the two stages just noticed, which in Germany is styled the 'Credit Banking System.' The emphasis of the descriptive name falls properly upon the word *credit* in the title. They differ from the ordinary money banks mainly in this, that they lend only to the members or depositors, of whom each for all and all for each are virtually the indorsers. By this provision of the organization credit is given to borrowers who can command credit nowhere else, nor on any other possible conditions.

"Here in these three modifications of co-opera-

tion, we have provision made: 1st, by co-operative stores, for economy in the necessary expenses of subsistence; 2d, retention and the equitable apportionment of all profits to the active partners in the production of commodities; and 3d, the provision of credit and distribution of profits of money, as a money-maker, among those who furnish the capital stock. There are no more and no other branches of the economy of the individual and of the household than these."

✓ With the foregoing clear and comprehensive explanation of the character and application of co-operation before his mind, the reader will be the better enabled to understand that the Mutual Saving Fund and Loan Association is purely a co-operative society, consisting of a partnership in the profits of money as a money-maker, *equitably distributed* in proportion to the *severalities of capital* furnished by the individual members thereof. It comes under the third division of the subject as defined by Dr. Elder, and relates to the co-operation of money or capital, as distinguished from that of merchandizing and labor.

The chief objects attainable through co-operative combinations are: 1st, the doing away with intermediates; 2d, economy in expenses; and 3d, the advantages consequent upon a union of many small capitals into one grand whole.

It is important to a clear understanding of the mechanism, object, and uses of this mutual plan of money saving and making, to keep before the mind this co-operative feature running through

all the branches and ramifications of the system. It is also important to know that it is a system intended for the benefit of the industrious classes, whose sole capital is that which their labor produces. It is framed, therefore, to suit the circumstances of this class of workers. Any departure from the pure co-operative feature admits the capitalist, as an intermediate class, to share more largely in the profits than is consistent with an equitable distribution of the same.

Dr. Elder, in the work above referred to, aptly says: "Co-operation is a fully rounded system, whose utmost meaning is harmony." Therefore, any departure from the spirit of this system will destroy that harmony, and produce an inequality in the ultimate result.

In the formation and management of a Mutual Saving Fund and Loan Association, it is of the greatest importance to keep the principle of harmony and roundness fully in view, and never to lose sight of it. Each department of the plan, every detail and provision, when properly adjusted, bears upon the other with perfect evenness. Every consequence, each result is the effect of a harmony of influences each in strict accord with the other, and all in complete unison as a whole. Any Money Saving or Banking System that does not contain this spirit of harmony is not co-operative.

The Expenses of Management under Other Systems.

The ordinary Savings Bank is not co-operative where *intermediates*, in the shape of a class of

stockholders, step in between the depositor and the profits earned by the joint capital formed by stock and deposits, and, together with necessarily heavy expenses, claim all the gain above a certain stipulated sum of interest agreed to be paid the depositor.

The ordinary Trust Company, under the management of trustees, composed of one class of depositors only, formed with the like object in view, of encouraging frugality and thrift, is not purely co-operative; for, though deprived of the intermediate in the form of a profit-consuming class of stockholders, it contains it in the form of heavy expenses of management which are consequent upon the peculiar mode of doing business; to which may be added the contingent fund usually reserved to cover losses.

The want of harmony and unity of action on the part of the different members of each of the two plans of saving above mentioned, has a direct influence on the expenses of management. The active capital is made up of a great number of small sums of all degrees of difference in amount, paid in at irregular and uncertain periods. Of many thousands of accounts, perhaps no two accounts would be found exactly alike. The mere mechanical labor of correctly stating each individual account, and of making the necessary calculations respecting them, is very great. This causes a heavy expense for the hire of competent accountants. The capital accumulated under these systems frequently amounts to a vast sum, requiring great financial skill and experience in the

management and investment of it. To obtain this skill and experience, in the persons of efficient officers, another heavy outlay is necessary. The character of the securities taken for investments being to a considerable extent of a negotiable nature, and the large amount of cash necessarily always on hand, owing to the uncertainty of demands for deposits, necessitates a heavy outlay for banking-houses, and thief and fire-proof safes, which add greatly to the expense of management. All these items of expense come out of the gross gain accruing from the accumulated investments. Even if the nett gain remaining after these expenses were deducted, was equitably distributed to the severalties of the capital, in strict accordance with co-operative principles, the profit would be comparatively small, owing to the *unavoidable expense in management*, in the latter instance, with the addition, in the former case, of the drain on the profits occasioned by the demand of the intermediate stockholders.

Economy in Management a Leading Feature of the "Mutual System."

The mutual system is arranged with the express intention of avoiding the heavy drain on the profits occasioned by the intermediate, and the expense of management absolutely necessary under any other system.

This end is accomplished, first, by restricting the membership to one class of depositors, contributors, or stockholders; and second, by naming

a fixed amount, and a certain fixed and regularly recurring period of time of payment for each contribution or instalment towards the capital, that is, to co-operate in producing a profit. The amount of each instalment must be an even sum, as, for instance, a dollar or a fixed number of dollars, or an even fraction of a dollar. The time of payment may be more or less frequent, but it must be fixed and regularly recurring, as, for instance, weekly, monthly, bi-monthly, or quarterly.

For the purpose of still greater simplicity and exactness, the capital is divided into shares, each equal and fixed in intermediate and ultimate value. By this arrangement, accommodation is afforded to persons of different degrees of ability to contribute, without destroying the harmony of the fixed amounts and periods of payment. Thus one who contributes to the extent of one share pays in but half the sum contributed by one holding two shares, and would receive but half the proportion of profits received by the latter on a return of the several capitals.

It will be observed, then, that, owing to these fixed instalments and fixed periods of payment, and the equality of each share in value at any given time, that one share in a given issue or series of stock is always a counterpart in value of all the other shares in the same issue or series. Thus when the value of one share in a particular issue or series of shares is adjusted, all the other shares of that series are found to be of a like value. It is only necessary, then, upon any ad-

justment of accounts, to find the equitable value of one share, and multiply this by the whole number of shares held by a stockholder, to show the exact condition and value of his interest in the enterprise. This is a process so simple and easy of accomplishment, owing to the fixed amounts and times of payment, that one competent accountant can correctly keep the accounts of the twelve months' business of the largest association; and, at the annual adjustment of the books, in a few hours at most, and most likely in a few minutes, ascertain the exact condition of the entire enterprise, as well as of each individual account. Thus great economy in the item of clerk-hire is attained.

At the stated meetings all the business for the interval between meetings is done or authorized to be done in about three hours. By a *concert of action* on the part of the members, all the periodic payments then due are made, and the aggregate receipts invested or otherwise disposed of before the meeting adjourns. The details, such as book-entries, posting accounts, and the legal papers and examinations necessary to perfect and secure the investment decided on, or make the payment authorized at the meeting, alone remaining to be carried out by the proper executive officers during the time intervening between the meetings. The securities being all of the nature of unconvertible bonds and mortgages, conditioned for the performance of agreements that can only be enforced by the particular association, and secured on real estate, and duly recorded, or else

the stock of the association, which is transferable only on the books of the association, a fire-proof safe is all that is necessary to be furnished the Treasurer and Secretary, as a receptacle for the books, papers, and securities in their charge; and this will occupy at most the corner of a room. There is, therefore, no occasion for an expensive banking-house and thief-proof vaults. The executive officers, excepting the Secretary, (and in some few instances the Treasurer,) give their services gratuitously.

Thus we have three marked peculiarities of the mutual system.

1st. The division of the capital into equal shares, contributed in fixed sums and at stated periods;

2d. The co-operation of the capital thus formed resulting in the mutual and equitable division of profits, expenses, and losses; and,

3d. As a result of these provisions, great economy in the expenses of administration and management.

It is important, therefore, for those who desire to direct the affairs of a Building Association with intelligence and success, to keep these principles constantly before the mind, as they form the base on which the entire superstructure rests. Without them, the scheme loses its identity.

Of the Division of the Capital into Shares.

A thorough trial of nearly forty years has proved that the most convenient division of the

capital of a co-operative Saving or Building Association is into a given number of shares of the ultimate value of two hundred dollars each.

The limit to the number of shares to be issued differed in many of the associations established prior to 1859, most of them being unincorporated, and acting through trustees.

According to the *Frankford Herald* of November 11, 1871, the first association of this kind organized in this country was formed on the 3d of January, 1831, at Frankford, Philadelphia, and was called "The Oxford Provident Building Association." An initiation fee of five dollars was paid by each stockholder, and the further sum of three dollars per month upon each share of stock, which entitled the holder to a loan of five hundred dollars for each share of stock. This association closed its affairs on the 10th of June, 1841, having run ten years and six months, and each share of stock being worth five hundred dollars. A new association bearing the same name was immediately formed, and this was followed in 1845 by another called the "Franklin," and having its shares at one dollar per month, and the ultimate value at two hundred dollars per share; and these were the origin of "Building Clubs," as they were then called, in this country.

From an article by Mr. John B. Duff, contributed to the *Building Association Journal*, of Philadelphia, for March, 1872, we learn that the Kensington Building Association was organized in Kensington District, Philadelphia, in January,

1847, on the plan of the Franklin, with a limit of 500 shares, and was continued to a successful close.

The first Act of Assembly of the State of Pennsylvania recognizing these institutions, was passed on the 22d of April, 1850, and limited the number of shares to 500. By an Act passed on the 12th of April, 1851, the limit was increased to 2,500 shares, and has remained so ever since; the General Law passed April 12, 1859, under which nearly all the incorporated Building Associations in Pennsylvania at the present time are working, having continued this limit.

The Object and Effect of this Limit.

The question as to how far this limit is proper is, perhaps, of more importance to the class of persons for whose benefit this co-operative scheme was devised than may appear at a first view. Some few Associations have shown a tendency to enlarge their privileges in this respect, and have obtained special enactments of the Legislature authorizing them to issue, in some instances, several thousand shares beyond the limit authorized by the Act of 1859. Viewing this system of co-operative economy in all its parts and details, and keeping in mind the peculiar circumstances of the people in whose interest it was designed, it is impossible to avoid the conclusion, that, to legitimately carry it on and work out its promised results with that satisfaction success can alone produce, it should be kept entirely free from all speculative features and monopolizing tendencies.

The enterprise is peculiarly quiet and unobtrusive, and one of its greatest safeguards is this limitation to the issue of shares as fixed by the Act of 1859. It tends to keep the work divided up and distributed among neighborhoods and small communities of the people, who avail themselves of the advantages it affords them. Being of a local rather than a general character, the members of each association are more likely to be acquainted with each other and with those to whom they entrust the management of the business affairs. The capital accumulated is thus prevented from increasing to an amount that would be unmanageable and perhaps dangerous in the hands of even the most skilful financier. The amount of business done under this limit, and the manner of its doing, are easily seen and understood by men of ordinary business experience. The expense of managing a Building Association thus limited is nominal, not averaging, perhaps, more than \$400 per annum. And it is a fact easy of demonstration, that, as a general rule, no greater percentage of profit can be realized by the capital of an association of 10,000 shares than by that of one with a limit of 2,500 shares. The only persons benefited by the larger issue would be the officers, whose salaries would be in keeping with the extra labor and responsibility imposed upon them.

Under the present limit, the amount of money on hand is small; and being loaned out in like amounts to a class of individuals not to any extent engaged in commercial pursuits, or the

different lines of trade, and consequently not carrying heavy liabilities, the risks are divided among many, and are thus greatly reduced.

A departure, therefore, from this wholesome restraint would throw the enterprise open to the monopolist, the speculator, and the place-hunter, who, by reason of large salaries, expensive banking establishments, a corps of clerks and assistants, would absorb a large portion of the profit made, and deprive the scheme of the benefit of any co-operative or mutual feature it might possess. Building Associations were at one time organized in New York city on this inflated plan, and proved an utter failure.

The Periodic Payments, or Instalments.

The next important division found to be most acceptable is that of the periodic payments. These payments are now almost universally fixed at the sum of one dollar per month for each share. Some few exceptions exist where the periodic payment is fixed at fifty cents per month. In some of the other States the other extreme is reached, and instalments are placed as high as five dollars per month. The Second Section of the Act of 1859 provides that "no periodic payment shall be made exceeding two dollars on each share." But the Act does not place any restriction upon or fix the number of the *periods* at which payments may be made during a fiscal year. They may be weekly, semi-monthly, monthly, bi-monthly, or quarterly, as may be agreed upon, but shall not

exceed \$2 each in amount. In order, then, to keep within the limit of the law, the "periodical" payment is generally fixed, for a non-borrowing stockholder, at \$1 per month on each share owned by him. When he becomes a borrower, and obtains an advance on his shares by way of loan, in case interest is charged on the ultimate or gross value of the share (\$200),—no allowance being made on account of the premium deducted,—he is required to pay an additional dollar per share each month, being at the rate of six per cent. interest; and this brings his periodic payment up to the full limit allowed by the Act.

The foregoing remarks apply particularly to that form of the plan of working where the premium or bonus is, as a rule, deducted in advance hereinafter designated the "Gross Plan," as distinguished from the Net Plan. The newer form of charging the premium in monthly instalments as they fall due, seems to be in conflict with the Act of 1859 in this respect, so far as the monthly premium is in excess of the two-dollar limit. The differences peculiar to this latter form, however, will be treated of under their appropriate heads as they are presented. With regard to the time of payment, it may be observed here that the monthly period is most generally, if not quite universally, adopted by the Pennsylvania associations, as also by those in other States, as the most convenient and acceptable division of time, and most suited to the circumstances of those who support the system.

Capitalists, desiring to avail themselves of the

benefits of a co-operative combination and equitable division of gains and losses, could form an Association, authorized by a special enactment, based on the payment of weekly instalments and a large issue of shares, that would reach the ultimate result in a correspondingly shorter period of time, — weeks being to the latter what months are to the former plan. The peculiarity of this feature being the facility afforded to persons of large means for a more rapid turning of the capital employed, and the large amounts in which it could be obtained for use at a given time, owing to the greater number of shares that might be issued. But it should be, and most probably would be, composed of and controlled by capitalists exclusively, and for their own special needs.

CHAPTER II.

OF THE SOURCES OF PROFIT.

IN addition to the great economy in management that is the natural result of the fixed character of the periods and amounts of payment as dwelt upon in the first chapter, there is the large accretion of profit which results from the peculiar mode of investing the capital. It is proposed in this chapter to consider the different sources from which this profit is derived. For this purpose the several items forming the grand total of gain will be considered separately, in order that the peculiarities of each, and its relation to the general capital, will be the better understood.

There is, then, in the first place, the "premium," or "bonus," which, under the *Gross Plan*, as authorized by the Act of 1859, is deducted from the loan on granting it, and under the *Instalment Plan* is paid in monthly instalments. This premium is paid by the borrower for the privilege of having the present use of a sum of money, for which, under ordinary circumstances, he would be compelled to wait several years in order to obtain from an accumulation of savings.

It will be observed that the profits are all derived from the borrowing members. The non-

borrower simply contributes his regular instalment to each of his shares of the capital, and waits until they reach the ultimate value by reason of the added profits.

Some think they see oppression and inequality in this, and imagine that an arrangement should be made by which the non-borrower would help the borrower to carry his loan. This is a very unreasonable demand, when it is remembered that the premium or bonus paid is what the borrower is supposed to estimate the value to him beyond simple interest, of an advance on the ultimate value of his shares. The immediate and continued use of the money enables him to gain back this bonus, and perhaps a considerable profit besides, by the time his stock has reached its ultimate value. Were he to take it and bury it in the earth, like the slothful servant in the parable, it would return him nothing, and his burden would indeed be great; but he employs it in business as a money-maker, and in place of its earning money for him in the operations of Association, as does the non-borrower's money, it earns him a profit by use and employment outside of the Association. This profit is the equivalent for what he pays to the Association as premium and interest; so that the only difference between the condition of the two stockholders is simply that, at the maturing of the shares, the one has the cash he has saved, with its earnings, and the other has the property he purchased with the borrowed money, free from the lien of any obligation or debt upon it.

There is nothing unequal or oppressive in this; it is simply a choice between two ways of saving. The one waits until his money is saved before he uses it in trade or business, or in buying a house; the other obtains an advance on his future savings, and covenants to make good its return, employing it in a way to make it earn him the means of making his covenant good. He must use his own judgment in deciding as to his ability to pay this premium. If he pays more than he ought, it is his own fault, and he must suffer, as all do who miscalculate in business matters.

How Premiums are Created.

The premium is created by an auction competition between those desiring to borrow the money to be loaned; and this is the only semblance of warfare or strife in the entire plan. The harmony is restored, however, by the mutual and equitable division of the profit derived from the competitive bidding between all the members, borrowers as well as non-borrowers, in proportion to their respective severalties of capital, represented by the shares held by each.

After many trials and experiments, both in England and America, of different plans and modes of creating the premiums, the open bid at a public sale among the competing members has been almost universally adopted as the best plan and freest from objection and abuse. Secret bidding was found to be both capable of and liable to abuse. Drawing lots at a premium previously

agreed upon, rendered it too uncertain as to who would be the successful party, the money often falling to the one who was least in want of it. It also encouraged a system of petty speculation on the part of individual members; persons would enter the drawing who had no use for the money other than selling out, if successful, at a further premium, to a member more in need of it, and would thus pocket a profit that should in right go to the general fund. Forming a list of applicants for loans at a fixed premium, and granting the money to the applicants in successive order as their names were reached, was also tried and found to be open to the objections urged against the two methods first named. It seems, therefore, to be universally agreed that the auction sale is the most fair and open, freer from objection and suspicion, and less liable to abuse. The price paid is regulated by the demand, and the profit made goes into the general fund for mutual distribution.

The Profit Derived from Premiums.

If we follow up one item of premium (as deducted from the face of the loan under the Gross Plan) remaining in the hands of the Association, it will show what is gained from it to the general profit account. Suppose one has borrowed \$1,000 on five shares, at 30 per cent. premium. He would receive the net sum of \$700, and there would remain \$300 in the hands of the Association. This profit is loaned to some one else, say at 30 per cent., and here is a profit of \$90 on the

first profit of \$300. This last sum may again be loaned at 30 per cent., and there remains a profit of \$27. So that (to follow it no further) the first sum of \$1,000 actually produces a triple profit of \$417; while the average premium paid by each borrower was but 30 per cent.

This illustrates the process of profit upon profit, accruing from premiums thus deducted, that is, repeated at each stated meeting of an active Association.

The Profit Derived from the Monthly Compounding of Interest, and from the Premium upon Interest.

The same principle of increase, as shown with respect to premiums, also applies to the item of interest paid upon loans. As the monthly accumulations (formed of dues, premiums, and interest on loans) are loaned out, the total amount of interest received from month to month gradually increases in proportion to the increase of the invested capital. As this item of interest is received, it is loaned again with the general fund at each meeting; interest is thus compounded upon interest monthly; and, in addition to this, forming part of the general capital, it is also loaned at a premium, and this premium is again loaned at a premium, thus forming a quadruple profit. For if we follow up one dollar paid in as interest on a given meeting - night, we find it immediately loaned out again, 1st, at six per cent. interest; 2d, at a premium of (say) thirty per cent., leaving 30 cents in the treasury, which, 3d, may be loaned

the same night at say 30 per cent., producing nine cents profit, which, again loaned at 30 per cent., produces, 4th, $2\frac{7}{10}$ cents, or a total of $41\frac{7}{10}$ per cent. from premiums alone, at the meeting at which the dollar was paid; to which add the interest to accrue upon it, say of nine years, (which it may be assumed to take the stock to mature,) to wit, 54 cents, and we have a total profit produced by this one dollar of interest during the continuance of the loan, amounting in the aggregate to $95\frac{7}{10}$ cents; and then we have not taken into the account the monthly compounding of the item of six cents per year paid as interest, which is going on upon the same principle during the whole period.

Premiums Paid in Monthly Instalments.

Where premiums are paid in monthly instalments, the increase upon them will be in the same proportion and in the same manner as above illustrated, respecting interest; for it is of the same character, inasmuch as it accrues monthly from the same capital as the interest does, and is in effect only an additional interest charged by way of bonus. The periodical payment of dues forms the main body of the capital, which being loaned at a premium, with a periodic payment of interest, creates a profit which, in turn, goes to swell the common fund by also producing a profit; and thus, like a snowball, it increases as it rolls.

In the foregoing illustrations we have the process of accumulation laid open to full view, show-

ing why the mutual system is so astonishingly remunerative to the capital invested in it. For, owing to the peculiar construction of the scheme, one dollar is but a counterpart of every other dollar in its respective division or department of dues, premium, or interest.

In addition to the items already mentioned, there are some minor sources of profit that go to form a part of the grand whole, and therefore claim consideration. These are: I. Fines; II. Entrance Fees; and III. Profits on Withdrawals.

I. Fines.

The fine possesses a twofold character and object, one of these being to induce or compel members to be punctual and regular in paying their instalments. In this character it is used as a penalty for neglect of this duty. For, as we have already seen, the harmony of the system depends on the regularity of the periodical payments.

The other object being to supply the inequality occasioned to the particular shares, when arrears occur upon them, and thus restores harmony in the adjustment of profits. Upon the adjustment of profits, each share is always treated as though each instalment of dues and interest was paid exactly when due, and as though none of the shares were behindhand in this respect. It follows, then, that where certain shares are in arrears, and profits are adjusted to them as though there had been no default, these shares would be receiving more than their due; for the capital that

should have earned it is not all paid in, and cannot be employed by the Association in producing a profit equal with other shares whose instalments are punctually paid.

To avoid inequality in accounts, and to obviate the necessity of making separate and distinct calculations as to shares in arrears, (which would reduce the plan at once to the condition of the ordinary Saving Fund, in respect to the irregularity and uncertainty in time and amount of payment referred to in the first chapter,) it is a necessary part of the co-operative plan, on the adjustment of profits, to treat all shares as though punctually paid, and make good the loss to the profit-producing power of a share occasioned by non-payment, by charging a fine. This fine is therefore treated as a profit, and is carried finally to profit and loss account, and divided to the stock along with the other items of profit. Thus the defaulting shares are made to harmonize with the others.

The Act of 1859 leaves it to each Association to regulate the fines on dues and interest in arrears. It provides that "every share of stock shall be subject to a lien for the payment of unpaid instalments, and other charges incurred thereon, *under the provisions of the Charter and By-Laws*, and the By-Laws may prescribe the form and manner of enforcing such lien" (Sec. 2); and further, that "premiums, *fines*, and interest on said premiums shall not be deemed usurious" (Sec. 9).

Many Associations are extremely oppressive in

their rules for exacting fines, charging a fine on each dollar at the rate of *ten per cent. per month for each month* it is in arrears; a sum largely in excess of what the money in arrears would earn if legitimately employed on a punctual payment, and much more than enough to restore the equilibrium alluded to above. The fines, in order to preserve the harmony of the system, should be placed at a figure but slightly, if any, in excess of the average profit that would be earned by a dollar punctually paid and regularly invested in the legitimate business of the Association. This profit would vary from 10 to 27 per cent. per annum, according to the rate of progress towards maturity. Stock that matures in ten years and ten months, earns to the invested capital an average rate of 10 per cent. per annum. Closing out in ten years, it earns at the rate of $13\frac{1}{2}$ per cent. per annum; and if in eight years it reaches maturity, it earns at the rate of 27 per cent. per annum.

When it is seen that a fine of 10 per cent. per month reaches the enormous amount of 120 per cent. per annum, the oppressive, ruinous, and unconscionable nature of the exaction is at once apparent. It is true those who suffer have made the law that binds them, or subscribe and agree to it on becoming members; and it is often enforced as a mutual contract that bears on all alike. It is, nevertheless, frequently made unnecessarily oppressive, and is accepted by those who frame the law regulating fines through ignorance of the exact character, object, and uses of the fine.

A fine of from one to two per cent. a month would, in nearly all cases, be sufficient and just. A default in payment implies weakness, for the time being at least; why, then, should the overburdened be further oppressed? If one stumbles under a weary load, can he rise the better if his burden is increased to twice its original size while he lies prone upon the earth?

This mutual system is a scheme of "self-help," in which the weak join to form one united whole of strength and power. Its "utmost meaning is harmony." Nay, more. It is full to overflowing of fraternity, equality, brotherly kindness, charity, and mutual assistance. It should not be turned from the grand purposes of its mission to be made an oppressor.

Perhaps nothing in the past history of the Building Association has contributed more largely than oppressive rules for fining, to create a prejudice against the scheme, and distrust as to its usefulness, in the minds of the courts as well as of the public at large. It is important, therefore, that the theory and object of the fine should be thoroughly understood, lest, in framing rules to regulate the matter, the line of harmony is overstepped, and *individual members* are placed beyond what is merely necessary to *mutual* protection and support.

Entrance Fees.

It is the custom with many Associations to charge new members an entrance fee, being a certain small sum on each share subscribed for, which is intended to aid in reducing expenses.

Others, again, charge a small sum, say 25 cents per share, at the end of each fiscal year, which is regularly appropriated to expenses.

While these fees contribute towards the profits in proportion as they aid in meeting the running expenses, they are not a necessary part of the plan by any means. A rule regulating entrance fees may be included in or omitted from a system of By-laws, without interfering with the harmony of any of the different plans of working, as hereafter treated of. It is calculated to give the Secretary some extra work, and requires that a separate account should be kept of the fees; this account should be closed into profit and loss account at the settlement of the books.

Profits on Withdrawals.

This item of gain occurs where stock is withdrawn at any period after an adjustment of profits has been made, and where none of this gain, or only a portion of it, is granted to the withdrawing stock. It is one of the results of the fictitious nature of the premium account, under the Gross and Net Plans of working. It does not arise under the Instalment Plan, unless the portion of profits granted to withdrawals is less than the amount adjusted to it at the close of each fiscal term; and this should never be.

The manner of adjusting profits to withdrawing stock is specially treated of in the seventh chapter. Under some plans of bookkeeping, and under some of the rules of adjustment adopted by many associations, this item does not appear in the accounts as a profit, although it really exists,

for the reason that, at each adjustment of the accounts, the entire capital and gains from the beginning are lumped into one sum by one process of division or another, and distributed to the number of shares existing at the time the adjustment is made. Thus, at the close of each fiscal term, all former adjustments are undone, and a new one effected, in accordance with the changed condition of assets to divide, and the severalties or shares to which it is to be distributed. This mode of proceeding is not in accordance with the practice of the most experienced and competent accountants, neither is it practicable under a properly conducted system of double entry book-keeping. Under the latter system, the adjustments of a given fiscal term are fixed and unchangeable. The losses and gains for the term are carried to profit and loss account (as shown in the Ledger, Part II.), and are adjusted to the severalties or interests existing at the close of the term. All changes in the condition of the old capital, and all additions of new capital and gains, are shown by the succeeding settlement of accounts. It is thus that the item of profit, that has previously been carried to the stock account from profit and loss, under former adjustments, and which remains after the allowance, if any, to stock that is withdrawn during the current term, is required to be carried from stock account to profit and loss account for readjustment among the remaining shares in accordance with their respective values. By turning to order No. 10 in the Order Book, Part II., the reader will see that A. Simpson withdrew twenty-five shares from the first series

during the second fiscal term, represented in the form of books, given in Part II. Under the date of August 1st, it is carried through the Journal to the debit of stock account in the Ledger. At the first semi-annual adjustment of the books, or, in other words, at the end of the first fiscal term, all the shares of the first series, of which these formed a part, were found to have gained the nominal sum of \$3.42 each (as shown by the first semi-annual statement), making Simpson's twenty-five shares worth the nominal sum of \$285.50 at the time they were withdrawn, in September, 1870, being eight months' dues and the added gain for the first term. As Simpson was only allowed the dues he had paid, \$200, the gain credited to his stock, \$85.50, remained in stock account at the close of the second term. This sum of \$85.50, called "profit from withdrawals," is carried from stock account through the Journal, along with the other items of gain, to the credit of profit and loss, for *re-distribution* among the remaining shares. As shown under the head of "Entries to close the books," at the end of the second term, as stated in the Journal.

To be strictly equitable, the profits thus remaining from withdrawals should be divided to the stock of the series to which it was originally adjusted. This is simply effected by dividing the sum of profits from withdrawals by the number of shares in the series entitled to it; and should be done before making the general adjustment of gains for the term, under the rules provided for the purpose, as shown in Chapter VI.

CHAPTER III.

Of the Different Plans and Details of Construction as Adopted by Separate Schemes.

HAVING considered in detail the separate and distinct parts and divisions of this co-operative system, and treated of the peculiarities of each in due order, it remains to show the different combinations into which they may be formed. In the construction of a particular scheme, intended to be purely co-operative, mutual, and equitable in its work, the general principle should be kept in mind that, in whatever form these different parts are combined together, the ultimate result will be the same to the separate severalties of capital joined in the enterprise. Associations formed on different combinations of these parts, will be subject to the peculiar local influences and circumstances surrounding each separate scheme, it is true, but each will differ from the other in the ultimate result, only in proportion as these separate influences affect each differently.

The different combinations that have been invented from time to time, are the result of a desire to reach the promised goal by some shorter road, and with less labor and cost.

If a laborer to whom is assigned the task of removing 100 stones from one point to another,

carries one stone at each trip, he would make 100 trips. If, however, he carries two stones at each trip, he will make but 50 trips. By the former plan he saves in the weight he carries, and loses in time; by the latter he doubles the weight and saves in time. In the end, but 100 stones have changed places. The question is, which plan was best for the workman?

The different plans are calculated to suit all conditions of men and their varied circumstances.

The Terminating Plan.

The original plan adopted by the first Associations, and carried out to a great extent at the present time, is known as the *Terminating Plan*.

Under this plan, the payments on each share commence with the first meeting of the particular Association, and each share, no matter when it is issued, is made to date back to the time of the first payment of dues. Thus, shares issued months and years after the origin of the Association, are required to be made equal with those issued at the first, by back payments equal to the accumulated and adjusted value of each old share at the time of issuing the new one. By this arrangement, each share is at all times equal in value; and in theory they all proceed steadily on to the promised ultimate result of \$200 each, the *membership* and the *Association* terminating at one and the same time.

This is the simplest, as it was the earliest, form of the scheme. A number of individuals create,

by stated and fixed monthly payments, a common fund, which is invested each month in the form of loans to members, who pay a premium for the advance, and interest on the loans; thus the capital is further increased, and a profit produced. By a mere repetition of this process, month after month and year after year, the scheme proceeds until the accumulated capital, when divided by the total number of shares, will give to each share \$200. This point reached, the membership and the association terminate. The partnership ends with the division of the assets and cash among the partners in proportion to the number of shares held by each.

This is the theory of the terminating plan. It is very simple, and seems very easy of accomplishment. Practice, however, proves that it is seldom if ever carried out to the agreed point of termination. The difficulty being, that after the fourth or fifth year, the accumulating capital increases beyond the demand for it. By this time most of the members who desire it, have been supplied with loans; and persons who would become members and borrowers cannot do so, owing to the heavy back payments required to equalize new shares with old ones; the result is a dead lock. It thus becomes necessary to enter into some plan of liquidation by which non-borrowing members are required to retire from the Association, taking their accumulated capital and such portion of the profits as may be mutually agreed upon; thus absorbing the fund that otherwise would accumulate beyond all control or use for

the legitimate purposes of the Association ; so that, in place of running nine or ten years, and dividing to each share \$200, as the theory promises, they are compelled to go into a liquidating process, and terminate in from six to seven years, giving to each share from \$130 to \$150. This is the natural and certain result of a plan based upon one issue of stock. The simple and easy remedy for this trouble is the serial issue of stock, known as the *Permanent Plan*. The equitable adjustment of profits is arrived at under this terminating plan, by simply dividing the number of shares outstanding at the end of each fiscal year into the net gain for the year, thus showing the exact gain of each severalty of the general capital for the year.

The Permanent Plan.

The Permanent or Perpetual Association is formed on the same principle as that of the terminating class. They only differ in the mode of issuing shares. While they require the same monthly payments of dues, and are restricted to the same limit in the total issue of stock, they simply adopt the plan of issuing the stock at different periods during the continuance of the Association. Each series dates back only to the period at which it was issued ; so that, while all the shares of a Terminating Association are at all times equal with each other, the shares of each particular series only are equal under the permanent plan. The peculiarity of fixed dates and

amounts is not interfered with in the least by this arrangement; it applies to each series, and continues through the entire existence of each separate issue. Each issue runs its course independently, and without interfering with others issued before or after it.

The Terminating Association is a partnership in which all the partners agree to wind up the concern as soon as their capital has reached a fixed sum.

Under the Permanent Plan the partners retire when their capital reaches the fixed sum, without winding up the concern, but leaving other partners to continue the business, who, by reason of a later entrance into the concern, have not reached the point of departure. And these also, in turn, retire when their capital reaches the fixed value, leaving still others, who entered later than themselves, to follow on. This process may go on for all time, as long as there are persons ready to take up the shares of each succeeding series as it is issued. This, then, constitutes the permanent feature of the plan.

Of the Periods for Issuing Series.

The time fixed for the issue of each series differs in many of the Associations that adopt the permanent plan. Some assign two years as the regular stated period between each series. Under this arrangement, a new member who takes stock in a series towards the end of the second year of its existence, is required to pay nearly two years'

back dues and profits in order to equalize his shares with those already issued in the same series. It is difficult for most working people to command enough money at once to meet these back payments. They are thus often deprived of the power of taking stock so circumstanced, and are compelled to wait until a new series is issued, or look elsewhere for a better chance. It would seem, then, that two years, as a general rule, is too long a period to fix upon for the issue of series. To a limited degree it is open to the same objections that apply to the Terminating Plan.

Yearly Series.

Many Associations adopt the yearly issue. This is much more convenient, both to the membership and the management, as the back payments are comparatively less to the new-comer, the number of shares in any one series is not likely to be so great (the advantage of which will appear as we proceed), and the adjustment of values at the close of each fiscal year is effected with greater ease and simplicity.

The yearly series should always commence, if possible, with the fiscal year, and the first payment of dues on the stock should be made as of the first month of the fiscal year. In no case, after a new series is opened, should any new stock be issued in a prior series. It is a part of good management to encourage the withdrawal of stock in the older series, that is not pledged or likely to be pledged for loans; and this important feature

would be interfered with if there were no reasonable limit fixed for the closing of a subscription list of a given series.

Half-yearly, Quarterly, Bi-monthly, and Monthly Series.

Quite a number of Associations have adopted a more frequently recurring period for the issue of series, and are working with great success. Some adopt the half-yearly period, others the quarterly and bi-monthly, and several issue a new series at each monthly meeting, provided there are parties present wishing stock. With regard to the monthly issue it is, perhaps, proper to remark here that it should not be adopted as a permanent rule, unless the Association is located in a populous city or town. The half-yearly or yearly plan is the best for country places, where the demand for stock is not likely to be so great as in cities.

Different Periods for the Issue of Series may be Adopted by the same Association at Different Times.

It might be found of advantage, however, to start an Association with the issue of monthly or quarterly series, and as the total issue of the shares in all series approaches the limit of 2,500, (or any other limit to which Associations in this or any other State may be restricted,) to recede to a half-yearly issue, and finally to a yearly issue. Again, under circumstances that would warrant it, such as having a large number of shares returned to the Association by repeated and con-

tinued withdrawals, returning to a quarterly and monthly issue, thus admitting new members, with more or less freedom, as the demand for stock is at different times more or less active, or the supply more or less abundant. An Association might, in this manner, all through its existence, vibrate between yearly and monthly series, at different times, as circumstances warrant.

By making it a rule to close the books and adjust the profits earned to the present capital before issuing a new series, all complications will be avoided.

The Number of Shares to which a Given Series should be Limited.

The question as to how many shares should be limited to a particular series is an important one, and demands consideration. One of the chief objects of the Serial Plan is to do away with the danger of a dead lock, occasioned by the arrival of a large number of unpledged shares at maturity, without the funds in hand to cancel them, which is the evil shown to afflict the Terminating Association, and unless care is used the same trouble will beset the Permanent Plan also. It is a good rule to keep the number of shares in each series at as small a limit as is consistent with the prosperity of the particular scheme, and supply any extraordinary demand for stock by a new issue, at periods near together.

It is important to observe this rule as soon as possible after a permanent association is well

advanced on its way. It depends, also, greatly upon what periods are adopted, whether yearly, quarterly, or monthly. If an Association were to organize and determine on a half-yearly or quarterly issue of series, and, owing to a large and unexpected demand for stock, were to dispose of 2,000 or more shares at the first meetings, as is sometimes the case, there would be but about 500 shares left to draw on for the succeeding series; and these being exhausted, the serial issue would perforce come to an end, until enough shares were returned to the Association from withdrawals to supply a new series. This would lead to uncertainty in the periods of issuing series.

If the By-Laws, as should be the case, leave the periods of issue discretionary with the directors, they can be governed by the demand, which being large, they can fix at a yearly issue; if moderate, at a half-yearly; if sluggish, at a quarterly or even monthly issue.

If the first sales are large, and the yearly period is adopted, the evil attendant upon a series with a large number of shares in it will only attach to the first series, for the following series must needs be small in number, owing to the near approach to the lawful limit of 2,500 shares, to which all Associations chartered under the Act of 1859 are restricted. If, however, a liberal policy is adopted towards withdrawing members, and a fair and equitable portion of the profits is allowed them, non-borrowing members will gradually draw out, and thus prevent the difficulty that would

occur if 1,500 or 1,000 shares unpledged for loans were to remain until they reached a value of \$200 each.

Where, however, the sale of shares is slow, or the surrounding population is largely composed of persons in the humbler grades of employment, it is well to fix on a more frequent issue of series, as it is admirably suited to the circumstances of persons earning light wages.

An Association may readily commence business on a half-yearly or quarterly issue of stock with a subscription list of 500 shares. This was the utmost limit allowed to the first Associations, as we have already seen.

After the first issue, which in almost all cases will be the largest, as it is difficult to limit it to a fixed amount, it is well to restrict all future issues to a certain figure, viz.: all yearly series to 500, all half-yearly to 300, quarterly to 200, and monthly to 50 shares. Each will be thus kept within a manageable limit, and will render a dead lock at the maturity of each series entirely unnecessary.

CHAPTER IV.

AN ILLUSTRATION.

WE have seen that one of the difficulties experienced under the Terminating Plan is occasioned by the heavy payments necessary to equalize new shares with the old ones, on the admission of members during the succeeding months and years of the enterprise. Another difficulty, and one also previously touched upon, occurs as the scheme approaches maturity, occasioned by the accumulation of capital in the treasury, without the means of disposing of it in the manner contemplated by the scheme. It is the object of the serial plan to do away with these difficulties entirely; and with proper foresight and management they can be completely overcome.

Let us follow the process of serial issues through some of its changes and gradations to a point sufficient to illustrate the plan and its results. For this purpose we will instance the case of an Association issuing its stock in series of one year apart.

The Association having completed the preliminaries of organization, commences by issuing its first series of stock. As many shares are disposed of within the authorized limit as the demand for them warrants. For convenience, we will suppose 1,000 shares are taken. The

monthly instalments being regularly paid on these during the succeeding year, and the capital thus accumulated being regularly loaned and invested, until the first fiscal year of the enterprise is fully completed. The books being closed, and the net gain for the year ascertained, it is divided equally to the 1,000 severalties or shares of which the capital is formed. It matters not whether this gain is divided to the dollars represented by each severalty, or to the shares, inasmuch as each severalty is equal with all the others in value, and either process will produce the same equitable division of the profits.

The books will show that \$12,000 have been received as dues or instalments on stock. Supposing this sum to have been loaned at an average premium of 30 per cent. on the dollar, there will be \$3,600 accumulated from premiums, (for this illustration supposes the deduction of premiums in advance, as distinguished from the Instalment Plan.) In addition to this item of profit, the interest account would show about \$360, being the averaged receipts from the loans made during the year; for by the rules of equation the interest received will be equal to that on \$12,000 invested for six months. Not to confuse the illustration with any deductions for the expenses of the year, we will suppose the net gain from premium and interest to be \$3,960. This sum divided by 1,000 (the number of shares), gives to each share a profit of \$3.96; or, divided by the \$12,000 of capital, will give to each dollar 33 cents, which, multiplied by 12 (the capital of

each share), also produces \$3.96 for each share. Up to this point the scheme has proceeded exactly as it would under the Terminating Plan, and each share is found to be worth, from

Dues paid in 12 months, . . .	\$12.00
Adjusted profits,	3.96
	<hr/>
Total	\$15.96

The Association now issues the second series, and persons who could not join if they were required to pay \$15.96 per share for stock of the first series, are now able to become members by the simple payment of the first instalment of \$1 on the new issue. For convenience, we will again suppose that 1,000 shares have been disposed of in the second series.

The Association is henceforth in the monthly receipt of \$2,000 from the periodic instalments on its two separate series or issues; in addition to which the item of interest receivable from the first year's investments forms a permanent source of income.

The Association will proceed then through the second year precisely as it did through the first, saving only that its monthly receipts from dues are double what they were the first year.* At the end of the second fiscal year the condition of the Association will be arrived at by the same

* In all well-regulated and properly adjusted Associations, deducting premiums in advance, there is a discount allowed from the premium bid by a borrower of a given series during the second, or any subsequent, year after its issue, which is fully explained under the head of "DISCOUNTS ON PREMIUMS," in a succeeding chapter.

process as that employed at the end of the first year. The stock account will show a balance to begin with of \$15,960 as the total value of the stock of the first series, at the beginning of the second year, to which will be finally carried the total of all the instalments paid in on the two series during the second year, to wit: on 2,000 shares, \$24,000, which having been loaned at an average premium of, say, 30 per cent., will net \$7,200 from premiums alone. Next, the account of interest received from all sources during the second year will be ascertained.* This is composed, 1st, of interest on the loans made during the first year, to wit, six per cent. on \$15,600, being \$936, and 2d, an average interest of 3 per cent. on the \$24,000 capital paid in and invested during the second year, being equal to \$24,000 for six months, or \$720, or a total receipt of \$1,656 interest from all sources. As in the illustration of the first year, to avoid confusion, we will suppose the deduction for expenses to have been made, and the net gain for the second year to be as follows:

From premiums on the 2d year's capital loaned,	\$7,200
From interest on loans of 1st year, @ 6 per cent.	936
From interest on loans of 2d year, @ 3 per cent. average	720
Total net gain from all sources for 2d year	<hr/> \$8,856

* The distinction between the plan of charging interest on the gross sum loaned and the net sum received by the borrower, after premiums deducted, is fully explained in another chapter.

This sum is to be equitably distributed to the severalties of capital composing the two series. It is the endeavor of this illustration to show not only the manner of doing it, but the reason for it. At this point in the progress of the serial plan of issuing stock, directors and accountants are liable to become confused and perplexed, as to the mode of effecting a proper adjustment of gains to each severalty of the capital, in exact proportion to the time it was employed. Some imagine it requires separate accounts, and that the money of each series should be kept entirely apart. This is not the case, as will be seen on examining the form of accounts set forth in Part II.

It will be observed that the capital paid in during the first year has absorbed all the profit made during that period, and becomes, as it were, passive in its effect upon the profit account. Having been adjusted and fixed, no part of this profit can be appropriated by the new or active capital of the second year. This first year's, or passive capital, does not cease to earn a profit, however, for we notice the item of \$936 interest received during the second year, from the loans that were made with it. By looking at the second year's profit account, it will be seen that all the gains of the year, except this item of interest, were made by the money paid in on account of the two series.

It is the course then to give to the capital of the first year (to wit, the sum of \$15,600) 6 per cent. interest, being its portion of the second

year's gains. There would be then \$936 to divide between the 1000 shares of the first series, as interest on the first year's invested capital, giving to each share $93\frac{6}{10}$ cents. This sum of interest being deducted from the net gain of the second year, leaves \$7,920 to divide to the aggregate of dues paid in during the second year on both series, viz., \$24,000; if we divide this sum into \$7,920, it gives to each dollar 33 cents profit, and on \$12, \$3.96; or if we divide \$7,920 by the 2000 shares in both series, the same result is produced, to wit, \$3.96 per share.

The value of the shares in each series will stand as follows:

Value of 1 share, 1st series, at end of	
1st year,	\$15.96
6 per cent. interest on same,	$93\frac{6}{10}$
Dues of 2d year,	12.00
Proportion of 2d year's gains,	3.96
Total value each share, 1st series,	<hr/> \$33.85 $\frac{6}{10}$ <hr/>
Dues paid in 1st year of 2d series,	\$12.00
Proportion of year's gain,	3.96
Total value each share, 2d series,	<hr/> \$15.96 <hr/>

The foregoing examples serve to show the principle upon which the gains of separate series of stock are apportioned to the severalties of which each are composed, and the calculations by which the adjustment is effected. To continue the illustration through another fiscal term, or to

the ultimate result, would but cumber these pages with a useless repetition of accumulating figures, that would tend to tire the patience, and perhaps confuse the mind of the reader, without strengthening the illustration. Suffice it to say that all the future operations of the Association are but a repetition of the process carried out in that portion of the foregoing illustration representing the second fiscal year or term of the Association. The principle to be observed being the allowance of interest out of the year's gains, to the aggregate accumulated capital that is bearing interest at the commencement of a current year, (or term,) after which the remaining profits are to be divided equally to the capital formed by the dues on all series for the current year (or term).

The foregoing illustration will apply equally as well to the more frequent issue of series, be it half-yearly, monthly, or quarterly. Where the periods of issuing series are more frequent than once a year, the period between each series is denominated a "fiscal term," whether that "term" be six or only one month. In any of these cases, before the issue of a new series, the books should be closed, and the profits for the term adjusted on the plan hereinbefore set forth. For, under the serial plan, there are always two classes of capital to be provided for in the adjustment of profits, the one being the previously invested or passive capital, to which all former profits have been adjusted, and which produces nothing but interest towards the gains of any current fiscal term; and the other being the active capital paid in as

dues during the current fiscal term, which, in addition to an average interest, produces the premium, for which it is entitled to a separate allowance. This mode of closing the books at the end of each term simplifies the process, and renders the adjustment easy of accomplishment. Thus the machinery of a carefully conducted association issuing its stock in series, whatever the intermediate periods, may move on to the end of time; and as the oldest series arrives at maturity and are successively liquidated, new ones take their places at the other end of the line; and between the oldest and the newest series will be found the intermediate series, all proceeding towards the same point of maturity and liquidation; thus forming, as one familiar with the plan has aptly remarked, "an endless chain," with a given number of links, which may revolve for all time.

CHAPTER V.

The Different Plans of Charging Premiums and Interest.

IT will be observed that, in the manner of accumulating by periodic payments or dues the main body of the capital, all Associations are alike. The apparent differences in plan, however, are occasioned by the various modes of charging premiums and interest on loans, and these are the main items of profit. This profit is finally to be *equitably* adjusted to the severalties of the capital, in proportion to the interest of each severalty therein. It is necessary to a clear understanding of the rules for adjusting profits to fully comprehend the nature and effect of these differences. In present practice there appear to be three different ways of treating these items of profit. For the purposes of explanation they are presented in this chapter under three distinct heads, namely: the Gross Plan, the Net Plan, and the Instalment Plan.

The Gross Plan.

The oldest plan of treating premiums, and the one most in use at the present time, is that of requiring it to be paid in advance, while interest is charged on the *gross amount* of the loan. As if

one borrows on one share \$200 at 25 per cent. premium, he receives the net sum of \$150, and pays interest on the gross sum of \$200. From this peculiarity it is designated the GROSS PLAN.

The second plan is a slight modification of the Gross Plan; for, while the premium is paid or deducted in advance as under the first-named plan, interest is charged only on the *net sum received by the borrower*. For this reason it is called the NET PLAN.

The last of the three plans is one of comparatively recent adoption, and consists of a modification of both the former plans.

It results in advancing to the borrower the full ultimate value of \$200 per share, requiring the premium to be paid in *monthly instalments*, in the same way that dues and interest are paid; and, owing to this peculiarity, it is known as the INSTALMENT PLAN.

In these three plans, as before remarked, are the principal differences in the mode of getting at the ultimate result. There may be combinations differing in some of the minor details of formation from the three plans above enumerated; if, however, they comprehend in their construction the mutual and equitable features of co-operation, they will find a place under one of these three forms of working. The influence of each is felt in the intermediate progress of the scheme adopting one or the other plan, and in its effect upon the individual severalties of the capital; while the general or ultimate result is the same. For it will be found on examination that where an

advantage is gained by either plan at one point, it is neutralized at another; thus rendering either plan generally equal in the ultimate effect, being only a choice as to one of three ways of dividing the weight of a burden ultimately to be carried to a given point.

If we follow up with some minuteness each of these separate plans, the force of the foregoing remarks will be more apparent.

Advanced Premiums.

As was previously stated, the custom of paying premiums in advance is practised under both the Gross and Net Plans of charging interest. In this respect there is no difference whatever between the two.

The borrower having bid at the auction sale of the money, say 25 per cent. on the dollar, or \$50 on the share (which produces the same result), will receive the net sum of \$150 for each share pledged. This premium being, as is usually the case, deducted from the gross sum, is carried through the various entries in the proper books to the Premium account in the Ledger.

Returning Premiums on Repayment of a Loan before Maturity.

The premium account under this plan of proceeding is always a fictitious account, for the reason that in case a borrower desires to repay a loan at any time before the stock on which it was ad-

vanced has reached its ultimate value, a pro rata portion of the premium originally deducted is required to be returned to him, representing that portion of the time between the issue of the stock and its ultimate maturity, which has not yet lapsed or become exhausted.

The Act of 1859 requires that, to a borrower repaying a loan at any time within eight years after the "*organization of the Corporation*" (or the issue of the particular series of stock on which the loan is based*), "there shall be returned one-eighth of the premium for each of the eight years then unexpired."

It was evidently the intention of the framers of the Act to return to a borrower repaying before maturity, an equitable portion of the premium originally advanced. Eight years was doubtless fixed upon as the nearest approximation to the average time of winding up a series. It will be seen, however, that, in case a series of stock should be ten years in reaching maturity, one repaying a loan after the eighth year has expired, would, under the provisions of the Act of 1859, get none of the premium back; when, in strict equity, he should have two-tenths of the premium returned to him. Besides this, one-eighth of the original premium would, under these circumstances, be more than the just share of the re-

* The words within parentheses are added by the writer. The Act makes no provision for returning premium to a borrower repaying a loan more than eight years after the organization, owing, doubtless, to the want of a thorough comprehension on the part of the framers of it, of all the requirements of the system they were attempting to provide for.

paying borrower; it would also be too little in case a series were less than eight years in winding up. It is very evident that the returning of premium, to be strictly consistent with other parts and details of the mutual system, should be in accordance with the rate of progress of a given series towards maturity, as shown by the profits earned and adjusted to each share; and should be regulated by the same principle that governs the return of profits to members withdrawing before maturity, as set forth in the seventh chapter.*

The foregoing remarks tend to show in what manner and to what extent the premium account under the advance premium plan is a fictitious account, and therefore why only a portion of the apparent profits is allowed to withdrawals. It is that portion only of the advanced premium which is actually earned by the lapse of time, that is appropriated as actual profits to one withdrawing his shares before the ultimate value is reached; owing to the contingency of repayment and the consequent return of the unearned portion thereof.

Inasmuch as corporations are but the creatures of the law under which they are formed, Associations chartered under the Act of 1859 will have to submit to the discrepancies alluded to above; and to the consequences resulting from a strict

* It was decided, however, by the District Court of Philadelphia, in the case of the *Sherman B. A. v. Rock*, April 21, 1872, that "when the return of loans made by Mutual Saving Fund, Loan, or Building Associations, regulated by the Act of April 12, 1859, is anticipated by borrowers, they are only entitled to a return of one-eighth of the premium for every whole year anticipated. They are not entitled to a proportionate return for a fraction of a year."

construction of the law, as shown in the case of the *Sherman B. A. v. Rock*, and many other cases, until a suitable amendment relieves them.

Associations in other States, however, being free from this local restraint, can adopt a course more strictly correct, without the fear of a technical objection.

Discount on Premiums Paid in Advance.

Where one borrows and pledges stock of a given series that is a number of years old, it is proper to allow a discount on the premiums bid, in proportion to the number of years that have expired since the particular series was issued, based upon the approximated time it is supposed to take the series to reach its ultimate value. Most Associations adopting equitable rules, discard the theory of the Act of 1859, that eight years will produce the ultimate result; and proceed in all calculations not restricted by the Act, on a ten years, basis; as, for instance, in regulating this discount on the premiums of borrowing members. This discount is one of the equalizing features that are a necessary part of the advanced Premium Plan. If a given series is found to be advancing to maturity at the rate of ten years, and one borrows upon stock of that series four years and six months after it was issued, he is entitled to a discount of $\frac{9}{20}$ off the premium bid, or at the rate of $\frac{1}{10}$ off for each year, or fraction of a year of the approximated rate of progress that has expired. The equity of this allowance will

appear upon comparing the cases of two borrowers, one of them on stock, say five years old, and the other upon stock of a new series just issued, supposing the rate of progress to be ten years. If they both bid 30 per cent., and no discount were allowed in favor of the oldest series, the first borrower would be paying double the premium paid by the second one; for the one would be paying as much for five years as the other would for ten years use of the money. In the first case about one-half the money received would be the borrower's own capital, which he could withdraw at pleasure. It certainly would be unfair to charge him a premium for borrowing his own money. The premium charged, therefore, is only upon that portion of the sum loaned, *which is an advance* on the ultimate value of his stock. In this instance but one-half the time of winding up and the ultimate value are advanced upon by way of loan; in the other case the whole time of running, and the entire ultimate value of the stock, is advanced. This discount is in complete harmony with the mutual and reciprocal action of the entire system, and is necessary to make it equitable and just, and of evenly balanced parts.

As to how close the calculation of this discount should be made, is left by the law entirely optional with the particular Association. Strict equity, however, points to an allowance for every month that has expired, of the ascertained or approximated progress of a given series, towards maturity.

Premium Paid in Instalments.

The plan of granting to the borrower \$200 on each share, and requiring the premium to be paid in monthly instalments, designated as the "Instalment Plan," is of recent adoption. It is but another combination of the same principles, and produces the same general results as combinations formed under the Gross and Net Plans. It is, in effect, but going around the opposite sides of a square to the same point.

Most of the complications consequent upon deducting the premium in advance are avoided under this arrangement. The premium being paid only as it falls due, there is nothing to return a repaying borrower for unexpired time, and no discount on premiums bid on loans advanced upon stock of the older series; the premium account is therefore not a fictitious one, but composed of the actual items of profit earned from this source.

How it is Formed.

There seem to be two ways of creating the premium on this Instalment Plan, both of them about equally popular. One of these is by bidding so much per cent. or so much per share, and then dividing the premium thus created into 96 equal parts, representing 96 months, or 8 years. Thus, one borrowing \$1,000 advance on 5 shares, bidding 30 per cent., would pay an ultimate premium of \$300 (if the stock pledged did not mature before the 96th month from the date of

the loan), which premium, in place of being deducted at once, is divided into 96 equal parts of \$3.12½ each. The monthly payments being: dues, \$5, interest (on \$200 full amount received) \$5, and the monthly premium of \$3.12½. After the 96th month, if the stock pledged has not then matured, the payment of premium ceases, and the dues and interest remain payable to the end. This being a new plan of recent adoption, what course will be pursued in case a given series is nine or ten years in reaching maturity remains to be seen. In the latter case, there would be two years in which the receipts from such loans would fall short to the extent of the premium formerly paid.

The other, and perhaps the better, course is to fix the premiums bid at so much per share for each month *during the continuance of the loan*, or until the stock on which it is based reaches its ultimate value. Under this arrangement there is no gap between the termination of the premium and the termination of the loan.

How it Affects the Borrower.

The result of this mode of paying premium is to give or advance to the borrower \$200, the full ultimate value of each share pledged, while it increases his monthly payments per share beyond that required under the Net and Gross Plans. At the same time he only pays interest on the cash received, as under the Net Plan.

In this, as in all the other divisions of the

subject, the equalizing tendencies of Co-operation become at once apparent on a comparison of the Advance and Instalment Plans of paying premiums; and that, except in some few individual cases, the practical *result* to the borrower will be the same under either plan. Even in exceptional cases the difference will be found to be in the *intermediate progress* to the result more than in the result itself.

If one, under the Gross Plan, borrows on the pledge of two shares, and pays 50 per cent. premium on the dollar, his loan will net him \$200, and he will pay \$4 dues and interest, and if the ultimate result is reached in ten years, he will have paid \$480 in all.

If one, under the Instalment Plan, borrows on one share, he also receives \$200, and pays \$1 dues, \$1 interest, and \$2 premium per month, in all \$4 per month. In ten years he will also have paid \$480. The result is precisely the same here. It is literally passing around opposite sides of a square to the same point. In both cases the interest paid is equal to 12 per cent. per annum for ten years.

The same illustration applies to any other rate of premium. Thus, under the Gross Plan, on two shares, at 25 per cent. off, will net \$300 to the borrower, and there will be \$4 per month dues and interest to pay.

Under the Instalment Plan, a loan on one and a half shares will also net \$300. A premium of 66 $\frac{2}{3}$ cents per share is equivalent to 25 per cent. under the Gross Plan, and on 1 $\frac{1}{2}$ shares; this

would make the premium amount to \$1 per month, and the dues and interest to \$3; total, \$4 per month. Here, again, they are the same, supposing the rate of progress towards maturity is at all times equal in each case.*

* The following tabular statement, prepared by some of the members of the Powelton Building Association, working on the Instalment Plan, shows a calculation upon a loan of \$200 net, and compares the monthly dues, interest, and premium on the same, under the Instalment, Gross, and Net Plans, viz.: \$200 on the Instalment Plan, at 27 per cent., will net the borrower \$200, being the same as a loan on $1\frac{1}{2}$ shares on the Gross Plan, at 20 per cent.; also, being the same as a loan on $1\frac{1}{2}$ shares on the Net Plan, at $33\frac{1}{3}$ per cent.: the monthly payments in each case, for the use of \$200, will be \$2.50 per month, (including dues, interest, and premium,) and so on through the various grades of premium, as per following statement:

INSTALMENT PLAN.	GROSS PLAN.	NET PLAN.	Monthly Payments in each Association, at the foregoing rates, (including Dues, Premium, and Interest,) for the use of \$200.	Number of Shares necessary to hold in order to obtain a Loan of \$200, under either plan.		
				INSTALMENT PLAN.	GROSS PLAN.	NET PLAN.
27 p. ct.	20 p. ct.	$33\frac{1}{3}$ p. ct.	\$2.50	1 Share.	$1\frac{1}{2}$ Sha's.	$1\frac{1}{2}$ Shares.
36 "	25 "	40 "	2.66 $\frac{2}{3}$	"	$1\frac{1}{3}$ "	$1\frac{1}{3}$ "
45 "	29 $\frac{7}{8}$ "	45 $\frac{1}{4}$ "	2.83 $\frac{1}{2}$	"	$1\frac{1}{4}$ "	$1\frac{1}{4}$ "
54 "	33 $\frac{1}{3}$ "	50 "	3.00	"	$1\frac{1}{2}$ "	2 "
63 "	36 "	53 $\frac{1}{3}$ "	3.16 $\frac{2}{3}$	"	$1\frac{1}{3}$ "	2 $\frac{1}{2}$ "
72 "	40 "	57 $\frac{1}{2}$ "	3.33 $\frac{1}{3}$	"	$1\frac{1}{2}$ "	2 $\frac{1}{2}$ "
81 "	42 $\frac{1}{2}$ "	60 "	3.50	"	$1\frac{1}{2}$ "	2 $\frac{1}{2}$ "
90 "	45 $\frac{1}{2}$ "	62 $\frac{1}{2}$ "	3.66 $\frac{2}{3}$	"	$1\frac{1}{2}$ "	2 $\frac{1}{2}$ "
99 "	47 $\frac{1}{3}$ "	64 $\frac{1}{3}$ "	3.83 $\frac{1}{3}$	"	$1\frac{1}{3}$ "	2 $\frac{1}{3}$ "
108 "	50 "	66 $\frac{2}{3}$ "	4.00	"	2 "	3 "
117 "	52 "	68 $\frac{1}{2}$ "	4.16 $\frac{2}{3}$	"	2 $\frac{1}{2}$ "	3 $\frac{1}{2}$ "
126 "	53 $\frac{1}{3}$ "	70 "	4.33 $\frac{1}{3}$	"	2 $\frac{1}{3}$ "	3 $\frac{1}{3}$ "
135 "	55 $\frac{1}{3}$ "	71 $\frac{1}{3}$ "	4.50	"	2 $\frac{1}{2}$ "	3 $\frac{1}{2}$ "
144 "	57 $\frac{1}{2}$ "	72 $\frac{1}{2}$ "	4.66 $\frac{2}{3}$	"	2 $\frac{1}{2}$ "	3 $\frac{1}{2}$ "
153 "	58 $\frac{1}{3}$ "	73 $\frac{1}{3}$ "	4.83 $\frac{1}{3}$	"	2 $\frac{1}{3}$ "	3 $\frac{1}{3}$ "
162 "	60 "	75 "	5.00	"	2 $\frac{1}{2}$ "	4 "

It is the difference in the average rate of premium received that influences the result. A continued high average of premiums will produce the ultimate value by either of the three plans mentioned, in a proportionately shorter space of time than a continuously low average will effect. The difficulty of arriving at anything more than approximate results is owing to the fact that the premium is always an unknown quantity, until it is fixed by the highest bidder for each separate loan; what the future will produce is all mere conjecture. Hence the fallacy of attempting to predict, as some do, at the commencement of a new society, that their stock will mature in a certain stated number of years.

This is an assertion that could only be made with certainty if it were based on a knowledge of what the future average of premiums would positively be; or, as is the case with interest, if the premium was fixed at a certain unchangeable figure during the entire existence of a given scheme. No two Associations will be controlled by precisely the same circumstances at the same moment of time. The punctuality in payments, the demand for money borrowed or withdrawn, the average of premiums differing in each, will throw them out of parallel lines of progress towards maturity, even though they were formed on the same plan, and commenced business on the same day.

The Apportionment of Profits earned under the Instalment Plan of Premiums.

The difference between the Advanced Premium Plan and the Instalment Plan is wholly one of accounts. The practical result to the stockholder is the same in either case.

The premium account under the former plan is a fictitious account, because, as before shown, a pro rata portion of the premium there entered is liable to be withdrawn and returned to a borrower, who repays a loan at any time before the maturity of his stock. In consequence of this, but a pro rata portion of the apparent profits is allowed to stockholders who withdraw and cancel their stock before maturity.

Under the Instalment Plan, the premium being paid as it falls due, there is at no time an excess to be returned on repaying the loan before maturity. The premium account shows the actual earnings, subject to no return. Consequently, withdrawing members are, in strict equity, entitled to receive all the profit adjusted to their stock up to the time of withdrawal, because it is the profit actually earned by their capital while employed. The actual earnings being apparent at all times, then, there is no occasion to anticipate, by any approximating calculations, the rate of progress towards the ultimate result, as is necessary under the Advance Plan. This intricate and fictitious portion of the Advance Premium Plan, is, therefore, entirely avoided.

No Discount on Premiums.

Inasmuch as premiums paid in instalments only commence with the loan, and end whenever it is repaid, there is no distinction in this regard between loans made at the same time, but on different series of stock. If two men borrow at the same time, one on stock of a series five years old, and the other on stock in a series just issued, and each pay a monthly premium of \$1 per share, each will pay only from the time he has the use of the money, whether he returns his loan before the stock matures or not. If the two series should each reach maturity in ten years from their respective dates of issue, one will have had the use of the borrowed money for five years, and the other for ten years, and each will have paid premium in exact proportion to the time the respective loans were held. Thus another of the complications consequent upon the Advance Premium Plan is avoided, and the scheme materially simplified.

Does not appear to be Authorized by Act of 1859.

This plan of paying premiums seems to be the most acceptable of the two, and freer from complications that are unavoidable under the Advance Plan. It is fully up to the spirit and meaning of Co-operation. The Act of 1859, however, seems to conflict with the harmony of this arrangement, in two particulars at least. The second section of the Act declares that "*no periodical payment shall exceed two dollars on each share.*" It will be seen that under the Instalment Plan the monthly pre-

mium is a direct violation of this provision. The Act was framed to suit the requirements of the only plan then in use, and contemplates only an advance of the premium, and the payment of dues and interest alone in instalments; it thus appears to fall short of power to give the Instalment Plan a legal existence.

The same remarks apply to that provision of the Act relating to the return of premiums. Section fifth provides that "a borrower may repay a loan at any time, and in case of the repayment thereof before the expiration of the eighth year after the *organization of the corporation*," [and here the framers of the Act evidently lost sight of the serial plan of issuing stock granted in a previous section, or they would have added, "*or the date of issue of the particular series of stock pledged for the loan*,"] "there shall be refunded to such borrower one-eighth of the premium paid for every year of the said eight years then unexpired."

It is very clear that, in accordance with the spirit of the entire scheme, there would be no premium to return a borrower repaying a loan made under the Instalment Plan. For he only pays the premium as it falls due, and does not anticipate or advance a cent, consequently there is nothing coming to him as return premium, on repayment before maturity. Notwithstanding this, however, the right to such return has been claimed in several instances, the claimant relying on that provision of the Act of 1859 which recognizes the advance premium only, and provides for its pro-

portionate return on repayment before maturity. It is evident, therefore, that some legislation is required before the Instalment Plan will be entirely secure in Pennsylvania. There seems to be nothing wanted but technical legal authority to enforce it. It certainly has the merit of simplicity and reality in its favor, for it avoids the complication of accounts, and the fictions necessary under the Advance Plan; it does away with return premiums and discounts on the same, simplifies adjustments of value to withdrawing members, and requires but a very simple rule for the division of profits to the entire capital. It is sincerely to be hoped that this plan will obtain speedily such relief and support from the proper source, as will render it stable and effective.

The Net Plan.

This is claimed as an improvement on the Gross Plan of charging interest on loans. Borrowers naturally object to "paying interest on money they do not get." To meet this objection it is the custom under this plan to charge the borrower with the monthly payment of interest only on the net sum received after the premium is deducted.* In theory, the direct effect of this arrangement is to equalize more justly, and distribute more evenly to the different severalties of the

* In some Associations, on this plan, the sum on which interest is charged remains fixed until the loan is repaid; in others it is reduced every year by deducting the amount of *dues* paid during the year, and charging interest only on the balance of the loan remaining unpaid.

capital, what might be termed the burdens of the scheme; for some of the weight of repayment is taken off the shoulders of the borrower, and placed on those of the non-borrowing member. The manner in which this works will be apparent when it is remembered that it is the profits of the scheme that have a direct influence upon the progress of a given series toward maturity. If no profit were made it would take 200 monthly payments, at \$1 each, to reach the ultimate result, if no loss has been sustained; but every dollar of profit made lessens the number of the payments on account of dues. So that if a series were to reach maturity in eight years, there would be but \$96 paid in dues, the remaining \$104 being profits; while if it took ten years, the dues paid would be \$120, and the profit but \$80. As all the profits, except a portion of the fines, perhaps, come from the borrowing members, it is very clear that the sooner a series terminates, the larger must have been the monthly payment made by borrowers, and the longer it is in reaching this point, the monthly payments must have been correspondingly less. Charging interest on the net sum received by a borrower does not produce as large a monthly income as that of the Gross Plan. Consequently it takes longer to reach the ultimate value, and what the borrower does not pay, all the stockholders (the non-borrower as well as borrower) must make up, for we have seen that there are \$24 more dues paid in ten years, than there are in eight. The burden is therefore lighter to the borrower, for his monthly payments are

less, while the profit of the investment to each share is correspondingly lessened. As before remarked, this is the *theory* of the plan, the practical difference between this and the Gross Plan or the Instalment Plan, is really very small. Many borrowers, calculating that as they only have to pay interest upon the amount they actually receive, think they can afford to bid a higher rate of premium, and unhesitatingly do so. It is thus that the real advantage of the plan is negatived, and the scheme rendered nearly, if not quite equal, to the others with respect to the time of winding up or closing out series.

Interest in Advance.

Since the publication of the second edition of this book, a new plan or method has been adopted by numerous associations in Philadelphia, and throughout the country at large. This method is generally known as the Interest in Advance Plan; it differs from the Gross Plan in that it does away with the premium in advance, and substitutes interest in advance.

This interest is made payable as many months in advance of the date of the loan as the borrower chooses to bid, and the one bidding the greatest number of months in advance will be the successful bidder.

This interest is the same on each share for each month (\$1.00) as under the Gross Plan, the difference consisting only in paying it in advance for a given time.

The mode of obtaining a loan on this plan is as follows :

A borrower wishing to realize about \$800 net, and bidding 100 months' interest in advance, would take eight shares, which @ \$200 per share would be \$1600

Deduct 100 months' interest in advance, 800

Net sum realized, \$800

Having paid the interest in advance for 100 months, or eight years and four months, of course he has no interest to pay in monthly instalments, as by the Gross Plan ; and there being no premium to pay or deduct, there remains but the \$8 per month dues to pay on the eight shares he has borrowed upon. He therefore pays no more per month as a borrower than he would pay as a non-borrower. If the shares should mature in eight years, the borrower having paid four months' interest in advance of the time of winding up, the four months' excess of interest would be returned to him with his satisfied mortgage. On the other hand, if the shares should exceed eight years and four months in running out, and reach as far as, say nine years, the borrower would on and after the 101st month have to pay monthly interest in addition for eight months longer.

If one borrow on an old series, he is allowed a deduction or rebate from his interest for each month of the past age of the series.

If he desires to repay a loan, he is allowed a return of interest, paid in advance, for each unexpired month.

The foregoing is an outline of the plan of working.

The apparent gain of the Association by this method results from the greater amount of profit deducted at once on making a loan as compared with the Gross Plan. For instance:

On a loan, under the new plan, on eight shares at 100 months' interest, in advance, \$800 would be retained as a profit, the borrower receiving the net sum of \$800; while under the Gross Plan of deducting premiums on a loan of five shares at 20 per cent. premium but \$200 will be retained as profit, while the borrower receives the same net amount of money (\$800) as the borrower under the new plan receives.

It will thus be seen that the Association apparently gains the advantage of \$800 immediate profit under the new plan, against \$200 under the Gross Plan, while the borrower receives the same amount of money in each case; and, under the Interest in Advance Plan, pays but \$8 a month, against \$10 a month under the Gross Plan.

Another advantage claimed for this new method appears to exist in the fact that all the profit on each loan, or a greater part of it at least, is paid in at once, and the Association has only the monthly dues to collect, and in case of default, the arrears do not count up so rapidly as where dues and interest are payable monthly.

The advantage claimed for the borrower is based on the fact that by the new plan he pays 20 per cent. less money each month for the same amount of money he would get under the Gross

Plan. That as indicated by the reports of several Associations formed on this plan, examined by the writer, the borrower would also pay his loan off in about two years' less time than by the Gross Plan, and would have 35 per cent. more shares to receive the benefit of the yearly division of the profit; *i. e.*, where under the Gross Plan he would have but five shares, under the Interest and Advance Plan he will have eight shares to receive a profit.*

These, and perhaps some other trifling advantages, are claimed for this method by its advocates. The claims of superiority, however, in favor of any one of the four plans referred to in this book, are very plausible and very deceptive, viewed singly; but a comparison of their several merits and faults will result in proving to the unbiased and experienced mind that these various methods are but different ways of doing the same thing, or of reaching a given result. The best plan is that which obtains its end with the greatest simplicity and directness. It is the deliberate opinion of the writer, after many years of study and comparative examination of various methods and plans, and practical experience in their working qualities, that the Instalment Plan of monthly premiums, hereinbefore referred to, comes nearer to the standard of excellence than any other method yet devised.

* Profits should be adjusted in accordance with Rule No. 1, page 81.

Since this book first appeared, a number of prominent citizens of Boston, acting under the auspices of the American Social Science Association, impressed with the excellence of the co-operative banking system as practised in Philadelphia, after a three years' struggle with the Legislature of Massachusetts, obtained from that body a law authorizing Co-operative Savings and Loan Associations in that State. The bill which thus became a law of Massachusetts was drafted by the writer at the request of Hon. Josiah Quincy, of Boston, to whose efforts its existence as a law is mainly due. These facts are mentioned here for the purpose of enabling the author to point to that law as the crystallization of his study, thoughts, experiences, and hopes respecting methods and plans of formation and work, resulting, as it did, in the adoption of the instalment plan of monthly premiums as a wise measure of State policy, to the entire exclusion of all other methods.

CHAPTER VI.

ADJUSTMENT OF PROFITS AND LOSSES.

UNDER the mutual, equitable, and reciprocal principle of co-operation, upon which the Building Association should in all cases be formed, and in harmony with which it should under all circumstances be managed, the profits and losses should be adjusted upon a strictly equitable rule of apportionment; so that each share or severalty of the capital will receive its just portion of the net gain, or in a like manner contribute to all losses, for the time it was employed.

The rule that governs the equitable adjustment of profits, applies alike to each of the three plans of working hereinbefore treated of. There is a slight difference, however, in the application of it to the Net Plan, as hereinafter particularly alluded to, and as set forth in Rule No. 2, following. Rule No. 1, hereinafter given, applies equally to the Gross Plan and the Instalment Plan. Both of these rules apply only to the adjustment of profits where stock is issued in series, or in other words, to permanent Associations. It will be remembered that in the terminating Association, whether on the Net, Gross, or Instalment Plan, each share or severalty of the capital is at all times equal with the others, and

that a division of the sum of all the shares into a given sum of net gain will, in any stage of the progress of a terminating Association, return to each share its exact equitable proportion of gain. There is only one period in the permanent Association when this simple rule will apply, and that is at the end of the first fiscal term, for at this point there being but one issue (the first series), all the shares are equal in value. The issue of a new series, however, creates a new class of capital, which requires a slightly different rule for the adjustment of profits earned by the joint capitals, and this rule applies to all subsequent adjustments of values.

Passive and Active Capital.

In any permanent Association, whether under the Gross, Net, or Instalment Plan, at the end of the first fiscal term, whether it be a month, a quarter, or a year (the term being fixed in all cases by the period for issuing series), there will be a capital from dues, and a profit from premiums and interest earned. There being at this time but one class of capital to adjust the profit to, it is simply effected by a division of the shares into the gain for the term as above alluded to.

At the end of the second term there will be another class of capital, and the profits for the term will partake of a mixed or twofold nature. This twofold characteristic of the capital and profits should be kept in view, in order to effect an equitable adjustment of gains.

Passive Capital.

The accumulations of all previous terms, having been duly invested, are producing during any given term nothing but interest towards the profit account, and these, for the purposes of distinction, may be called the *passive capital*.

Active Capital.

The money paid in during a current term as dues on *all series*, together with interest, premiums, and fines, forms what may be called, for the same purposes, the *active capital*.

The profit account of any given fiscal term, subsequent to the first term, will consist of, first, the income from passive capital, being interest received for the term derived from the investments of former terms; and, second, of premiums and interest which are the product of the investment of the active capital for the current term, to which will be added all fines on arrears during the term. Deducting from the total formed by these items, the expenses (and, when they occur, the losses) for the term, the balance left will be the net gain to be distributed. (See Profit and Loss account in Ledger, Part II.)

Adjustment of Profits under the Gross and Instalment Plans.

The following rule applies to the two plans hereinbefore designated the *Gross* and *Instalment Plans*, if employed at the *end of the second and all subsequent terms*.

Rule No. 1.

Give to each share of stock, in *each series but the last*, at the rate of six per cent. for the term, on the *value of each share* at the beginning of the fiscal term.

Deduct the aggregate sum of interest thus found from the net gain for the term. Then divide the balance of the net gain by the sum of the shares of *all series*.

This gives the proportion of each share in the balance of the net gain for the term.

EXAMPLE NO. 1.

Applying the Rule to the Gross Plan.

An Association issuing yearly series, and commencing business with an issue of say 500 shares, would, at the end of the first fiscal term, accumulate a total of dues for the term of.....\$6,000.00

Supposing this to have been loaned at an average premium of say 35 per cent., the aggregate premium for the term would be.....\$2,100.00

Accumulated as average interest on the dues and premiums loaned..... 243.00

Gross gain.....\$2,343.00

Deduct for expenses, say..... 243.00

Net gain for the term..... 2,000.00

Total value of first series.....\$8,000.00

The value of each share at the close of the first term is found by simply dividing the total of shares into the sum of their aggregate value, thus: \$8000 divided by 500 shares equals \$16 per share. The Passive Capital for the next term will, in this case, be \$8000.

SECOND TERM.

To which the Rule Applies.

At the beginning of the second year or term, a second series is issued, say of 600 shares, and the account will stand thus at the end of the second term :

Passive Capital.....	\$8,000.00
Total of 2d year's dues on 1st series.....	\$6,000.00
Total of 1st year's dues on 2d series.....	7,200.00
Total of dues of two series, 2d term.....	\$13,200.00

Gain for Second Term as follows :

Interest on \$8,000 Passive Capital.....	\$480.00
Premium on \$13,200, at say 35 per cent.	4,620.00
Average interest on active capital for term (being composed of dues and premiums and interest for the term), at 3 per cent.....	549.00

Gross gain of 2d term.....	\$5,849.00
Deduct for expenses, say.....	249.00

Net gain for second term.....	\$5,600.00
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6 per cent. interest on the value of 1 share of first series, at beginning of 2d term (\$16) = 96 cents \times 500 shares 1st series = \$480, which deducted from \$5600 of net gain, leaves \$5120, which sum divided by 1100 shares (total of 2 series) equals $\$4.65\frac{5}{11}$ per share.

Total Value of 1 Share in First Series, viz. :

2 years' dues	\$24.00
Gain 1st year	\$4.00
Gain 2d year, interest .96	
Bal. of 2d year's gain $\$4.65\frac{5}{11} = 5.61\frac{5}{11}$	$9.61\frac{5}{11}$

Total gain in 2 years.....	$\$33.61\frac{5}{11}$
Multiplied by No. of shares in 1st series 500=	\$16,807.75

Brought forward.....\$16,807.75

Total Value of 1 Share, Second Series, as follows:

1 year's dues.....	\$12.00
Gain of 2d term.....	4.65 $\frac{5}{11}$
Total value of 1 share 2d series.....	\$16.65 $\frac{5}{11}$
Multiplied by No. of shares, 2d series	600=\$9,992.25
Total value of 1100 shares at close of 2d term...	\$26,800.00

EXAMPLE NO. 2.

Applying Rule No. 1 to the Instalment Plan.

An Association on the Instalment Plan, issuing yearly series commencing business with an issue of 500 shares, would at the end of the first term (in this case, one year) accumulate a total of dues for the term, amounting to..... \$6,000.00

Suppose this to have been loaned at an average premium of \$1.50 per share per month, the total premium for the term averaged on 30 shares would be about \$292.00

Add average interest on loans, being at the rate of 3 per cent. on \$6000 for 12 months..... 180.00

Gross gain.....	\$472.00
Deduct for expenses	272.00

Net gain.....	200.00
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Aggregate value of 500 shares..... \$6,200.00

\$6200 divided by 500 shares, gives \$12.40 as the value of each share at the end of the first term.

SECOND TERM.**To which the Rule Applies.**

At the beginning of the 2d term, a second series is issued, say of 600 shares. And the account will stand thus at the end of the second term :

Aggregate passive capital of 1st term.....	\$6,200.00
Total of 2d year's dues on 1st series	6,000.00
Total of 1st year's dues on second series	7,200.00

Gain for Second Year as follows :

One year's premium on 30 shares of 1st series, at \$1.50 per share.....	\$540.00.
Average premium on loans of 2d year's dues of 1st series (30 shares) @ \$1.50.	292.00
Average premium on 1st year's dues 2d series (\$7200). Say 36 shares @ \$1.50 per share.....	351.00
One year's interest on Passive Capital, viz., \$6200.....	372.00
Averaged interest on Active Capital of 2d term, viz., \$132.00.....	396.00
Gross gain.....	\$1,951.00
Deduct for expenses.....	251.00
Net gain of second term.....	<u>1,700.00</u>
Aggregate value of the two series of stock	<u>\$21,100.00</u>

Apply. Rule No. 1 as follows :

Six per cent. interest on the value of one share of the 1st series at the beginning of the 2d term (\$12.40) is 74 $\frac{2}{5}$ cents, which multiplied by the 500 shares of the 1st series gives \$372. This sum deducted from \$1700, the net gain, leaves \$1328, which, divided by 1100 shares, being the total of both series, gives \$1.20 per share, leaving \$8 undivided.

Total Value of each Share of First Series, as follows:

2 years' monthly dues.....	\$24.00
Gain of 1st year .....	.40
Gain of 2d year, viz:—	
Interest on 1st year's valuation..	74 $\frac{2}{5}$
Proportion of remaining profit..	1.20 1.94 $\frac{2}{5}$
Total value of each share 1st series....	\$26.34 $\frac{2}{5}$
Multiplied by No. of shares in 1st series	500 = \$13,172.00

Total Value of each Share in the 2d Series:

1 year's monthly dues	\$12.00
Proportion of remaining profit	1.20
Total Value of each share, 2d series....	\$13.20
Multiplied by No. of shares, 2d series...	600 = \$7,920.00
Fractions undivided	8.00
Aggregate value of new shares.....	\$21,100.00

Adjustment of Profits under the Net Plan.

As previously shown, the peculiarity of the Net Plan consists in deducting the premium in advance, and charging interest on the *net sum* received by the borrower.

This necessitates a slight change in that portion of the rule as applied to the Gross Plan, which relates to the adjustment of interest on passive capital. Under the Gross Plan interest accrues from the Gross Passive Capital, and is distributed to the same; while under the Net Plan, interest accrues from the *net sum* only of the passive capital as paid to each borrower, and at the adjustment of profits is distributed to the *Gross Passive Capital*. Thus six per cent. on the net capital would be but, say three and one-half or four per cent. on the Gross Passive Capital, according as the

percentage of premium deducted is higher or lower. To find this percentage of interest to which the Gross Passive Capital is entitled, it is necessary to proceed under the following rule. In all other respects the language used in explanation of the Gross Plan, and the rule for adjusting profits, will apply to the Net Plan.

Rule No. 2.

Find the rate at which six per cent. on the Net Passive Capital for the term, will divide to the Gross Passive Capital for the term.

Then give to each share, in all series but the last, interest for the term at the rate thus found according to the *value of each share*, at the beginning of the term. Deducting the aggregate sum of interest from the net gain for the term, divide the balance by the sum of the shares of *all series*, this gives the proportion of each share in the balance of the net gain for the term.

EXAMPLE NO. 3.

Applying Rule No. 2 to the Net Plan.

An Association on the Net Plan, issuing yearly series, commencing business with an issue of say 500 shares, would, at the end of the first fiscal term (in this case one year), accumulate a total of dues for the term amounting to..... \$6,000.00

Suppose this to have been loaned at an average premium of say 35 per cent., the aggregate premium for the term would be \$2,100.00 2,100.00

Which, deducted from \$6000, leaves as the net sum drawing interest..... \$3,900.00

<i>Aggregate premium, brought forward...</i>	<i>\$2,100.00</i>
Add as averaged interest on the net sum of \$3,900 for 1 year equal to 3 per cent.	117.00
Gross gain for the term.....	\$2,217.00
Deduct for expenses say.....	217.00
Net gain.....	<u>\$2,000.00</u>

At the end of the first term the adjustment of profits is effected by simply dividing the number of shares in the first series into the net gain for the term: thus, \$2000 divided by 500 shares equals \$4.00 per share, which, added to \$12 dues, equals \$16 per share, which, multiplied by 500 shares, equals \$8000, the aggregate of dues and profits for the year, representing in this case the Passive Capital of the next term.

SECOND TERM.

To which the Rule Applies.

At the beginning of the second term, a second series is issued say of 600 shares, and the account will stand thus:

Gross Passive Capital.....	\$8,000.00
Net sum drawing interest during 2d term, or Net Passive Capital.....	3,900.00
Total of 2d year's dues on 1st series.....	<u>\$6,000.00</u>
Total of 1st year's dues on 2d series.....	7,200.00
Total of dues of both series 2d term.....	<u>\$13,200.00</u>
Gain for second year as follows:	
Interest on net amount of 1st year's loans	\$234.00 234.00
Premium on \$13,200, at say 35 per cent.	4,620.00 4,620.00
Gross active Capital of 2d term.....	<u>\$18,054.00</u>
Average interest on Net Active Capital for the term (being the gross active capital less 35 per cent. premium), viz., \$11,735.10 at 3 per cent.....	352.05
Gross gain for second term.....	<u>\$5,206.05</u>
Deduct expenses.....	206.05
Net gain.....	<u>\$5,000.00</u>

The first thing to be done is to find the interest on the Net Passive Capital, to wit, \$3900, and divide it to the Gross Passive Capital, to wit, \$8000. — Being only \$6 short of 3 per cent. on the latter sum, we will call it 3 per cent. — We therefore give to each share of the 1st series 3 per cent. on its full value at the beginning of the 2d term (to wit, \$16), which is 48 cts., this sum multiplied by 500 shares equals \$240, which, subtracted from \$5000 of net gain, leaves \$4760, and this sum divided by 1100 shares (total of 2 series) gives \$4.32 per share.

Total Value of 1 Share in 1st Series, viz.:			
2 years' dues.....			\$24.00
Gain of 1st year.....			\$4.00
Gain of 2d year	{ Interest... .48		
	{ Profit..... \$4.32	4.80	8.80
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Total gain in 2 years.....			\$32.80
Multiplied by No. of shares, 1st series...			500
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Total value of 1st series			\$16,400.00
Total Value of 1 Share 2d Series.			
One year's dues.....			\$12.00
Gain of 2d term			4.32
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Total value of 1 share.....			\$16.32
Multiplied by No. shares, 2d series.			600
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Total value of 2d series			\$9,792.00
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Total value of 1100 shares at close of 2d term			\$26,192.00
Undivided Fractions.....			8.00
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Total Assets.....			\$26,200.00

The foregoing examples, as shown under the head of "Second Term" in each case, illustrate the working of the rules. It would not strengthen or simplify the illustrations to continue them into another term or succession of terms, inasmuch as

it would be but the application of the same rule to the business of another fiscal term. For the process of adjustment, as applied to the second term in each of the foregoing examples, applies in like manner to *all subsequent terms*.

Rule No. 1 will apply to all Permanent Associations working on the Gross or Instalment Plans, and Rule No. 2 to all Permanent Associations on the Net Plan of working, no matter at what period the series are issued, and whether the periods between series are equal or unequal; *provided the books are closed, and the adjustments are made before issuing a new series*. There is no difference in this respect between the capital of a Permanent Association and that of an ordinary business partnership. The books should be closed, and the profits adjusted among the existing partners according to their severalties of capital, before admitting new partners and new capital to participate in earning a future profit.

In a Permanent Association on either of the three plans enumerated, each separate series represents the capital of one partner divided into equal shares or severalties, consequently before the entry of a new partner and new capital in the shape of a new series of stockholders, the profits and losses should be equitably adjusted to the capital that was exclusively instrumental in creating them.

The foregoing rules for the adjustment of gains have been adopted by the writer, after an examination of many other rules employed by different Associations for the same purpose. It is claimed

for them that they combine simplicity with an equitable distribution of the assets and gains of a given scheme. When it is remembered that a great majority of the people forming the chief support of the mutual system, and in some instances even the accounting officers are but indifferent accountants, and that it is necessary and proper that stockholders should at all times have a clear, full, and ample statement of accounts from the officers to whom they commit the charge and management of their business, simplicity in the form of such statements, and the rules by which they are effected, becomes all-important. It is with this end in view that the author has labored to reduce all the varied processes necessary to the proper management and work of these co-operative schemes, to the simplest form of procedure. Of the various rules examined, no two have been found to be exactly alike. The same remark applies, with but few exceptions, to the mode of keeping accounts. So that a body of stockholders, in many instances, are compelled to rely on the examinations of auditors, who in turn are compelled to take for granted the correctness of the accounts they examine, because the books are not kept on any known plan or system of bookkeeping, but are simply an invention of the particular secretary, and the absolute correctness of which could not be ascertained by even an expert accountant without first reducing the whole mass to the proper scientific rules of double entry bookkeeping.

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Other Rules for Adjusting Gains.

Of the various rules mentioned as having been brought to the notice of the writer, the two following are given. The first one was published in the Building Association Journal, of Philadelphia, for August, 1871, and was furnished by Mr. John B. Gilbert, secretary of the Decatur Building Association of Frankford, Philadelphia. This rule differs from Rule No. 1 only in *giving to the interest earned by the Passive Capital the share of net gain* earned during the term by said *interest*, as a component part of the active capital for the term. Mr. Gilbert says: "We issue a new series of stock every three months, and at the close of the quarter we close our accounts, and divide the profits before starting a new series. The dues and interest of our forty different series of stock are paid in one common fund, sold together, and the profits divided exactly according to the amount furnished to be sold. Each share of stock is credited with the dues paid in by the borrower, which is the first operation toward making up the valuation of the stock. Having ascertained the value of all the shares, with the dues and interest added, we subtract that amount from the value of the assets; this gives the amount of surplus to be divided as profits. Having ascertained the whole amount of dues and interest, we divide that sum into the surplus, and thus obtain the rate per cent. of profits to be added with the dues and interest to each share. I will give an example, which I think will make the operation very easily understood.

EXAMPLE.

Shares.	No. Series.	Value of 1 share at beginning of quarter.	Int. added 1½ per cent. 3 months.	Dues paid in to be added.	Total of dues and int. added.	Value of 1 share dues int. added.	Value of the whole number of shares, dues and interest added.
10	1	\$180.00	\$2.70	\$3.00	\$5.70	\$185.70	\$1,857.00
10	2	160.00	2.40	3.00	5.40	165.40	1,653.00
10	3	140.00	2.10	3.00	5.10	145.10	1,451.00
10	4	120.00	1.80	3.00	4.80	124.80	1,248.00
10	5	100.00	1.50	3.00	4.50	104.50	1,045.00
10	6	80.00	1.20	3.00	4.20	84.20	842.00
10	7	60.00	.90	3.00	3.90	63.90	639.00
10	8	40.00	.60	3.00	3.60	43.60	436.00
10	9	20.00	.30	3.00	3.30	23.30	233.00
10	10	n. ser.		3.00	3.00	3.00	30.00

Total value of stock, dues and interest added = \$9,435.00
 Then suppose the total worth of the Ass'n to be = 9,565.50

Subtracted shows as surplus to be divided as profit \$130.50

We then find that the whole amount of dues and interest of the quarter are \$435.00, which, when divided into the surplus, shows a percentage of thirty cents on the dollar.

We then proceed with the operation thus :

Shares.	No. Series.	Value of 1 share at beginning of quarter.	Dues and Interest added.	30 per cent. on dues and int.	Final value of one share.	Total value of each series of stock.
10	1	\$180.00	\$5.70	\$1.71	\$187.41	\$1,874.10
10	2	160.00	5.40	1.62	167.02	1,670.20
10	3	140.00	5.10	1.53	146.63	1,466.30
10	4	120.00	4.80	1.44	126.24	1,262.40
10	5	100.00	4.50	1.35	105.85	1,058.50
10	6	80.00	4.20	1.26	85.46	854.60
10	7	60.00	3.90	1.17	65.07	650.70
10	8	40.00	3.60	1.08	44.68	446.80
10	9	20.00	3.30	.99	24.29	242.90
10	10		3.00	.90	3.90	39.00

Total value of stock, which equals the assets = \$9,565.50

The Decatur Building Association is worked on the Gross Plan, but this rule will apply without alteration to the Instalment Plan, and by making allowance for the difference in the item of interest accruing from the net capital, it will also apply to the Net Plan.

The second rule was furnished by Mr. John B. Wallace, secretary of the Oakdale Building Association, of Philadelphia, and appeared in the Building Association Journal for April, 1871. The Oakdale Association is managed on the Net Plan, and issues its stock in quarterly series.

Mr. Wallace says: "The rule which I have adopted is as follows: Multiply the number of shares in each series by the whole number of monthly payments made by said series, to which add interest at the rate of 6 per cent., averaged for the time it was invested; then, as the sum of the several amounts is to the total value of the stock, so is each series' particular amount to its share of the value of said stock. The following example will illustrate:

"The first annual report of an Association of 1000 shares, issued in four quarterly series, is as follows: Dues received, \$8,100; profits, \$4,240; total value of stock, \$12,340.

Series.	Shares.	Payments.	Dues.	Interest.	Amount.
1st ...	400	times 12 =	\$4,800	plus \$144.00 =	\$4,944.00
2d ...	200	" 9 =	1,800	" 40.50 =	1,840.50
3d ...	100	" 6 =	600	" 9.00 =	609.00
4th ...	300	" 3 =	900	" 6.75 =	906.75
			<hr/>	<hr/>	<hr/>
			\$8,100	\$200.25	\$8,300.25

Then as —

\$8,300.25	:	\$12,340.00	::	\$4,944.00	=	\$7,350.26	val. of 1st ser.
8,300.25	:	12,340.00	::	1,840.50	=	2,736.28	" 2d "
8,300.25	:	12,340.00	::	609.00	=	905.40	" 3d "
8,300.25	:	12,340.00	::	906.75	=	1,348.06	" 4th "
							<hr/>
							\$12,340.00

"Making the stock worth per share, first series, \$18.37½; second, \$13.68; third, \$9.05; fourth, \$4.49½.

"This rule can be applied to monthly, quarterly, or annual series, with like results. The accounts and funds are not divided, but are kept the same as with a single series."

The objection to this rule, which is substantially the same as that by which partnership gains are adjusted, is, 1st, that it is applied to the adjustment of profits after the issue of four series of stock in place of adjusting the gains of each series separately, before the issue of a new series; in other words, it lumps the whole calculation, and makes but one term out of what should be four terms; and 2d, that it gives to the Gross Passive Capital six per cent. interest, while this capital is entitled to interest only on the net sum loaned. It will be observed also, that the fixed and equal periods and instalments that form the severalties of the capital of a Building Association, render the ordinary processes of adjusting partnership gains by means of the rule of three entirely unnecessary, as an equitable division can be effected without going beyond the four primary divisions of arithmetic, as is shown under Rules I. and II., and by the examples thereto appended.

Those who feel an interest in the study of this important division of the subject, can apply such of the several rules given in this chapter as they see proper.

**Applicable to Associations beyond the Limits of
Pennsylvania.**

Associations beyond the limits of Pennsylvania can apply these rules of adjustment to their own cases, by simply suiting the rate of interest allowed to the rate per cent. authorized by the laws of the State in which they are located, or to that rate to which they may be restricted in their charters.

NOTE. — Since the foregoing Rule of Mr. Wallace was in type, the author has received a communication from that gentleman, stating, that “the rule for division of profits on stock issued in series, as published in the *Building Association Journal* for April, 1871, although apparently correct, is not strictly equitable, and I have abandoned it. Subsequent experience having induced me to adopt a rule which differs in the process of working it out, but in results entirely agrees with your method.”

CHAPTER VII.

Of the Rules for Granting Profits to Withdrawing Stock under the Various Plans.

ONE of the most important features in the management of a Permanent Association on either of the three plans treated of in these pages, is the avoidance of a dead-lock occasioned by the maturity of a large number of unpledged shares in a given series. The main object of the scheme is to give the working-man a home. Second only to this is the opportunity offered to those who wish merely to save, without borrowing. A given scheme, to be successful, must be composed of both classes of persons, and both these classes of persons are supposed to be equal sharers in the profits of the scheme, in proportion to their respective severalties of the capital employed. While, however, the borrowing member is expected to allow his pledged shares to remain until maturity, it is all-important to make every inducement within the bounds of fair and equitable rules to encourage the non-borrowing member to withdraw his shares at some period before they mature, care being taken to avoid too heavy a demand at any one time.

A large majority of all the Associations in the land that are working on the Permanent Plan,

have commenced the serial issue of stock without a thorough comprehension of the danger ahead, in the shape of a rapidly maturing series of stock, a greater portion of which is not pledged for loans, and must be met with cash, at \$200 per share, and every 100 of such shares will require \$20,000 to liquidate them. There are Associations with 1500 such rapidly maturing unpledged shares staring the directors in the face. They begin to see that \$300,000 in solid cash will, at no very distant day, be demanded of them. They realize, perhaps too late, that "something must be done." The trouble is, they did not commence at the outset with an *equitable allowance of profits to withdrawing members*. They made the universal mistake of trying to manage a Building Association as a "*close corporation*," when the very law of its being requires that it should be treated in the most liberal and open manner, as a "co-operative scheme or partnership in the profits of money, as a money-maker, *equitably distributed* in proportion to the *severalities of capital* furnished by the individual members thereof." They created two classes of stockholders, who shared differently in the profits of a scheme that contemplates but one class in this respect.

The Way to Prevent a Large Number of Unpledged Shares from reaching Maturity at one Time.

The idea prevalent in most minds seems to be that a stockholder shall not be allowed an equitable proportion of the gain until his stock has

matured;— one motive being to force habits of economy on the part of the member by making it unprofitable to him to withdraw; another motive being that of keeping the capital intact. If, therefore, a member desires, or is compelled by circumstances beyond his control, to withdraw, he is allowed only the capital he paid in, with a small interest, or, in some cases, no interest at all. The result is, no one withdraws who can avoid it; and the Association is compelled to meet the payments of matured shares, at a loss in the end, with funds that are diverted from their ordinary channel of investment. Some Associations, especially in other States, are just as illiberal with the borrowing members, and make it so expensive to repay a loan before maturity, that few can do it. They thus tie up a borrower's property for the continuance of the loan. They will not return the premium for the unexpired time, if working on the Gross or Net Plan, or allow an equitable portion of the profits on the stock pledged. Consequently there is not the activity or life that there should be in the property or stock of such an Association. A mortgage, under these circumstances, is an incubus that can only be removed by unremitting perseverance and persistent effort. An offer to purchase the premises held as security could not be entertained by the borrower, even at a large advance on the original cost, for the Association would absorb more than a large profit in the repayment of the loan before maturity. It follows that a district, town, or village, under these circumstances, could not thrive as rapidly

as would be the case if the true and liberal policy were to prevail, and the borrowing and non-borrowing members were allowed to come and go, borrow, and repay at pleasure, under the equitable rules that should always govern the entire system.

The simple remedy, then, is to accompany the serial issue of stock with a liberal rule for the allowance of profits to withdrawing members and repaying borrowers.

The question naturally arises as to "What proportion of the profit, under the Advance Premium Plan, and what, under the Instalment Plan, should be allowed to withdrawing members?"

The Rule of Average Progress under the Net and Gross Plans.

Under the system of deducting the premium in advance, as practised under the Net and Gross Plans, it has been shown that the portion of gain resulting from premiums is, to a certain extent, a fictitious account, inasmuch as a portion of the premium originally deducted from a loan representing the unexpired time, as nearly as it can be approximated, is liable to be returned to a borrower repaying a loan before the maturity of the stock on which it was granted. An Association a year old, with an issue of 500 shares, would have received from monthly dues a sum total of \$6000, which, being loaned at an average premium of 40 per cent., would produce a total premium of \$2400. If the Association at this point were to go into liquidation for the purpose of

winding up its affairs, and for this purpose were to call in all its loans, supposing such a step possible, it would, under the 5th section of the Act of 1859, be required to return seven-eighths of this total premium to the borrowers. It follows, then, that but one-eighth of this sum is actually earned by the capital employed up to this point; at the end of a second year there would be but six-eighths to return to borrowers, while two-eighths would be retained as actual gain to the stock, and so on each year following. In actual practice it is the almost universal custom to carry this fictitious total of premium, along with the other items of gain for the fiscal term, into profit and loss account, and divide the sum total of gain among the various severalties of the capital, as shown in the various examples heretofore employed, as well as in the form of accounts in Part II. Among those Associations on the Net or Gross Plan adopting the equitable rule of allowance, it is only when the stockholder demands to withdraw that the *actual value* of the shares in question is ascertained.

The One-tenth Rule,

Of a large number of Associations, whose reports have been examined by the writer, those who recognize the equitable rule, make their calculations on a basis of ten years for the maturity of their various series, and consequently give to the withdrawing borrower but one-tenth of the apparent gain for each year expired since the

issue of the shares in question. For while the Act of 1859 requires that premiums shall be returned to repaying borrowers on an eight years basis, experience proves that ten years is in reality the fairest and much nearer the average of time for reaching maturity, consequently the one-tenth rule very largely prevails.

This is not a safe rule to adopt blindly, however, for in case an Association progressed only at the rate of twelve years, as do some in the rural districts especially, and quite a number in the large cities, it would be too liberal, while in case eight years were to accomplish the maturity of a series, it would not be liberal enough.

The Approximate Rule.

The length of time it will take a given series to mature under the Gross or Net Plan, can only be ascertained approximately. The best that any calculation can foreshadow in this direction, is to ascertain the average of progress by finding the average of gain in a given time.

If a given series of stock is found, at the end of the first fiscal year, to have gained a profit of \$8 per share in addition to the \$12 dues paid, it will appear that if this gain were to continue for ten years, that the stock would mature in that time, thus :

10 years' dues, at \$12 per year	=	\$120.00
" " profits at 8 " "	=	80.00
Ultimate value,		<hr/> \$200.00

This would warrant a return of one-tenth of the apparent gain to withdrawing members for the following year.

If, however, at the end of the second year, a gain of \$10 per share were obtained, this would increase the average of gain for the two years. The total apparent gain for the ten years being \$18, the average gain would be \$9 per year. This average would, if continued, produce the ultimate value in nine years and about six months, thus:

9½ years' dues at \$12 =	\$114.00
9½ " profits " 9 =	86.00
Ultimate value,	<u>\$200.00</u>

This would warrant the return of a proportion of two-ninths of the apparent gain for the next following year. If at the end of the third year, but \$6 was found to be the profit per share, the average would be again reduced to a one-tenth basis of progress, for by the same rule the average gain would be but \$8 per year, the total being \$24 for the three years.

This mode of arriving at an approximate estimate of the rate of progress, must be applied to each series in a given Association separately, and the rate of profit regulated in accordance with the average rate of progress ascertained to apply to each. For an older series, by reason of a higher average of gain in former years, might show a higher average of progress towards maturity than a younger one, which, for obvious reasons,

might not be so fortunate, owing to a slack demand for loans, and a lower rate of premium prevailing during a given period; or, exactly the reverse might be the case. Therefore each series must be regulated in this respect by its own ascertained average of progress. Many Associations blindly adopt the rule of allowing one-tenth of the profits for each expired year, without reference to the actual rate of progress, be it rapid or slow. Others give a fixed percentage of interest on the dues paid in, without reference to the profit gained.

When, however, the importance of gradually reducing the number of unpledged shares of the older series is once understood, it is seldom stockholders hesitate to adopt the "*equitable rule of allowance*;" thus they can always withdraw their shares on a given notice, feeling that they receive the just portion of profit actually earned by their money for the time it was invested.

The Decatur's Rule.

Perhaps no more just and simple rule for effecting this purpose can be devised, than that adopted by the Decatur Building Association, of Frankford, Philadelphia, one of the oldest, and apparently one of the best managed Associations, and perhaps the largest in the country. It is now organized under a perpetual charter, granted by the Legislature, with a limit of 10,000 shares, and an issue of 7202 shares in 41 quarterly series, at the last annual report, which closed its twenty-

second year, at which time its paid-up capital was \$361,660.03. Its able secretary, Mr. Charles B. Gilbert, is well supported by a board of intelligent directors, and everything about it indicates an enlightened comprehension of the principles, advantages, and equities of co-operation as applicable to money combinations, and the intelligent employment of them to the purposes of their particular enterprise. The following schedule, taken from their 22d annual report (December 31, 1871,) shows the number of series, the number of shares in each, the value of each at date, with the minor and grand totals of value.

Shares.		Worth each.	
11	.....4th series of	1861.....	\$198.45.....\$2,182.95
9	.....1st "	1862.....	191.82..... 1,726.38
19½	.....2d "	"	.....185.42..... 3,615.69
25½	.....3d "	"	.....179.35..... 4,570.87½
16	.....4th "	"	..... 173.42..... 2,774.72
61½	.....1st "	1863.....	168.01.....10,332.61½
59	.....2d "	"	.....162.47..... 9,585.73
2	.....3d "	"	.....156.93..... 313.86
36	.....4th "	"	.....151.39..... 5,450.04
99	.....1st "	1864.....	146.00.....14,454.00
21	.....2d "	"	.....140.57..... 2,951.97
75½	.....3d "	"	.....135.20.....10,207.60
44	.....4th "	"	.....129.83..... 5,712.52
117	.....1st "	1865.....	125.14.....14,640.38
37	.....2d "	"	.....120.50..... 4,458.50
68	.....3d "	"	.....115.77..... 7,872.36
46½	.....4th "	"	.....111.11..... 5,166.61½
83½	.....1st "	1866.....	106.39..... 8,883.56½
72	.....2d "	"	.....101.85..... 7,333.20
127	.....3d "	"	..... 97.22.....12,346.94
120½	.....4th "	"	..... 92.52.....11,148.66
90½	.....1st "	1867.....	87.78..... 7,944.09

Shares.			Worth each.	
172	.....2d	series of 1867	.....\$83.10	.....\$14,293.20
144½	.....3d	“	.....78.42	.....11,331.69
134	.....4th	“	.....73.83	.....9,893.22
352	.....1st	1868	.....69.30	.....24,393.60
181	....2d	“	.....64.83	.....11,734.23
161	.....3d	“	.....60.19	.....9,690.59
168	.....4th	“	.....55.56	.....9,334.08
664	.....1st	1869	.....51.05	.....33,897.20
214	.....2d	“	.....46.63	.....9,978.82
110½	.....3d	“	.....42.09	.....4,650.94½
141½	.....4th	“	.....37.71	.....5,335.96½
453½	.....1st	1870	.....33.47	.....15,178.64½
477	.....2d	“	.....29.00	.....13,833.00
306½	.....3d	“	.....24.63	.....7,549.09½
304	.....4th	“	.....20.19	.....6,137.76
619	.....1st	1871	.....16.14	.....9,990.66
434	.....2d	“	.....12.17	.....5,281.78
468½	.....3d	“	.....7.88	.....3,691.78
456	.....4th	“	.....3.90	.....1,778.40
<hr/>			<hr/>	
7202				\$361,648.92
Leaving an undivided balance of				11.11
			<hr/>	
				\$361,660.03

What is particularly interesting and instructive, however, is that feature of this report which shows the practical effect of the Serial Plan of issuing stock.

We find its oldest series, issued in October, 1861, worth at the date of this report, \$198.45 per share — or \$1.55 short of the ultimate value. The next series is but \$6.63, or one quarter behind its predecessor, and so on down the list of forty-one quarterly series. Each separate series is keeping its place as near as may be, about three months in the rear of the preceding one.

Again, looking at the number of shares in each of these series, we find this number gradually lessens as we run our eye up the column, until the series which mature in January, 1872, has but eleven shares in it, and probably most of these are pledged for loans, and there will be but little if any cash to pay out.

The next series, maturing about May, 1872, has but nine shares, and so on. This is the result not only of a liberal, but of an equitable policy towards withdrawing members. Those who do not wish to borrow, use the Association as a saving fund, withdrawing at pleasure from the old series, taking a fair portion of the profits, and joining again in the youngest series, to repeat the operation when pleasure or necessity dictates.

Thus the directors are saved the trouble, and the stockholders the loss, that would result from having to meet with cash payments several hundred matured shares.

The Equitable Rule of Allowance, under the Net and Gross Plans.

The rule of allowance, adopted by this Association, is simply that of giving to the first \$10 of apparent value, 5 per cent. of the gain that helps to compose it, and adding 5 per cent. of the gain with each additional \$10 of increased value: to \$20, 10 per cent.; \$30, 15 per cent.; \$100, 50 per cent.; \$200, 100 per cent., or all the gain, being the ultimate value. Thus, if a share of stock is six months old, and having gained say \$4 in apparent profits, its value, with the dues added,

would be \$10, and the withdrawing stockholder would receive \$6.20, being his dues, and five per cent. of the apparent gain. If one year old, having gained say \$8 per share, its apparent value would be \$20, and 10 per cent. of the profit is added to the dues withdrawn. If five years old, having gained say \$40, the share would be worth \$100, and 50 per cent. of the gain would be the result, and \$60 dues, and \$20 profit, would be granted to the stockholder, and thus through the whole progress of the share toward maturity.

This is an excellent rule for the allowance of profits to withdrawing stock, where the issue of series is either monthly, quarterly, or half-yearly, and the adjustment of gains is made before the new issue occurs. It adjusts itself with great nicety to the rate of progress, and the amount of gain actually earned, and always gives the equitable proportion due the withdrawing stockholder.

Where, however, stock is issued in yearly series, it will not apply so readily, owing to the greater period between the adjustments of profits. In the case of the yearly issue of series, or where even longer periods intervene between each issue, the rule first given, by which the average progress of the stock towards maturity is ascertained, is perhaps as near an approach to it as can well be supplied.

If, however, under the rule for the adjustment of profits, given in the preceding chapter, or, indeed, under any other rule that may be adopted, the adjustment of profits to yearly or less frequent issues of stock were to be made every

quarter or half year, in place of only once a year, the Decatur's Rule would apply to any Association on the Net or Gross Plans. For under this arrangement the amount of gain for a fraction of a year would be ascertained, and the stockholder thus given his equitable portion of it. It is generally the custom, however, not to allow any portion of the gain for the fraction of a current fiscal year. To be strictly *mutual and equitable*, and bear on all alike evenly, as purely co-operative enterprises should always do, the fraction of a year should be allowed for.

Returns of Profit to Withdrawing Stock under the Instalment Plan.

Under the Instalment Plan, it will be remembered, there is no necessity for rules of average progress or sliding scales, such as those above referred to, in order to ascertain the actual gain of a share of stock in a given series. For this fact is ascertained by the process of adjusting the gains at the end of the fiscal term, as illustrated by the third example stated in the previous chapter. No part of this gain is fictitious — there is no part of it to return to repaying borrowers. *It is the actual gain*, and, therefore, when adjusted to the severalties of capital, is in the same relation to the capital that earned it, as that which, under the Advance Premium Plan, is only arrived at by the rules hereinbefore given in this chapter. In granting to the withdrawing stock its share of gain, therefore, it should be that which appears on the adjustment of values at the close of the fiscal term.

CHAPTER VIII.

SUGGESTIONS.

DIRECTORS often differ in their opinions as to the amount of margin that should be claimed on accepting a mortgage security. Some demand that the premium as well as the net sum advanced by way of loan should be secured by the mortgage. They lose sight of the fact that under the Gross and Net Plans, the premiums being deducted in advance, one-eighth of it must be returned for each unexpired year, in case of repayment before maturity; and also that the premium that may be retained is being gradually balanced by the increase in value of the stock held jointly with the mortgage as security for the loan. In other words, the unearned portion of a given sum of premium is always liable to be returned on repayment of the loan, and it is not necessary to secure it, as that portion of it which is entitled to be retained is secured by the increased value of the pledged shares. The *net* sum advanced is the item particularly to be secured, and the margin required above this should be governed by circumstances. If one borrows to pay for a home to live in, and is industrious, sober, and healthy, and known to be a good citizen, directors can be more liberal in the matter

of the margin asked for than under any other state of facts, and may, if they see proper, make what is called a very close loan; for each monthly payment increases the margin by increasing the value of the stock pledged. If, however, a loan is demanded by a speculative individual, more or less largely engaged in trade or business requiring capital, and carrying liabilities more or less heavy, directors would be warranted in demanding a larger amount for their security. In all cases preference should be given to the working-man who desires to possess a home, over the speculating borrower seeking mere accommodation. Unless this rule is observed, to a great extent the working classes will be driven off by high premiums and large margins, and the money will be absorbed by speculators entirely. The Mutual System is the working-man's own peculiar property, and he should in all cases have the preference, where any favor can be shown, and especially in his first efforts to obtain a home for himself.

Directions for Auditing Committees.

Auditing committees, whose duty it is to examine and inspect the accounts of the secretary and treasurer, as well as the securities in the treasurer's possession, should be appointed at the close of each fiscal year. These committees should be appointed from among the stockholders who are not officers or directors.

The Committee on Pass-Books.

A committee of two or three competent stockholders should be appointed, a meeting-night or two before the close of each fiscal year, who should take each pass-book as it comes in, and compare it with the stockholders' ledger, to see that all the money credited on each pass-book as paid in, has been properly charged to the Association; in other words, to see that the roll-book and pass-books tally exactly. This could be done by one taking the pass-book and another the stockholders' ledger, and quickly comparing the entries for the twelve months succeeding the last annual statement.

This is the first step in the examination of accounts. It is one of the important links in a chain of thorough examination.

The Committee on Accounts.

The committee to which is assigned the duty of auditing accounts, can examine the same for the fiscal year only, or at discretion go over the entire business of the corporation. Their duty is to satisfy themselves that everything is regular and correct.

The Cash-Book.

They will first take the cash-book, having carefully added its columns up, and compare the total of each month's receipts from all sources with the amount entered to the debit side of treasurer's ac-

count, this will show what the year's receipts have been, and if they have all been properly accounted for.

The Order-Book.

They will next take the order-book. One will call off from the stubbs, or margin therein, the amounts entered as paid out by the treasurer. Another will compare the orders returned by the treasurer as paid, and see that they are properly endorsed by the party to whose order they were originally drawn. A third will see that the entries to the credit of treasurer's account correspond with each item as called off, tick them if correct, or note any error. This done, they will add up each column of the treasurer's account, and see that the balance reported is correct. This account shows the receipts and payments for the year.

Dues Account.

They will then compare the entries to the credit of dues account, with the dues charged in the cash-book for each month, and add the account, to see that the total reported is correct. This total should agree with the total as shown on the stockholders' ledger. The amount of dues in arrears, and the amount paid in advance being ascertained from the stockholders' ledger, the correctness of the dues account can be proved by multiplying the number of shares in each series by the number of months elapsed since each was issued, and adding to the total formed by adding

the several sums, the sum of dues paid in advance, and deducting from the aggregate thus found, the sum of dues in arrears.

Interest, Fines, and Loan Accounts.

The credit side of interest, fines and loan accounts should be compared with the entries in the cash-book, to see that they correspond. *The premium account also, when premiums are paid in instalments.* These accounts should all be added to prove their correctness.

The order-book should next be taken in hand, and all the entries made to the debit side of loan account, from the margin of the order-book, should be compared, the account carefully added, the credits deducted, and the balance ascertained to be correct.

Premium Account.

Under the Gross and Net Plans the premiums credited will always originate on the margin of the order-book. These should be compared with the entries to credit of premium account (any premiums returned during the year appear on the debit side), and the account added, and the balance proved.

Expense Account.

Any item appearing in the expense account will be proved in the same way as the premium and loan accounts.

Other General Accounts.

The items of any other account, representing receipts or payments, appearing on the ledger, should, in the same way, be compared with the entries in the cash-book or order-book, as the case may be, and proved to be correct.

The Minute-Book.

The minute-book should be examined to see that payments and other matters requiring the sanction of the Board were duly authorized.

Stock Account.

This account will show the total value of the stock, with the dues and profits carried into it, and added together.

Profit and Loss Account.

This account will be credited with the gross gains from all sources for the year, and debited with the gross expenses and losses (if any); the balance remaining being the net sum of profit to divide, in accordance with the rules herein-before given.

The Balance-Sheet, or Annual Statement.

This should be prepared by the Secretary, and the various totals and balances carried into it from the accounts just examined and proved

should be compared, and the correctness of the grand total proved.

The Division of Profits.

After this the Committee should examine the calculation of the profits, and understand by what rule the adjustment is effected.

If the Committee are satisfied with the statement of the Secretary, and his mode of calculation, or find that his accounts are correct and as represented, they will report accordingly.

The Security Committee.

In young Associations the Auditing Committee can readily perform the work of examining securities. Where, however, the Association has been in existence several years, and the securities are numerous, this work should be delegated to a separate committee.

They should first obtain the amount of the balance to the debit of loan account. Then each separate security should be examined, from the first to the last, and the minute-book referred to in the case of each loan made during the year, to see that the terms on which each investment was made are complied with, and that the security produced is *the* security in question, and in due form. A list of all the loans, and the amount of each, should at the same time be made, and footed up, the total of which should agree with the balance in loan account.

By thus dividing the work up between several committees, there is less danger of their slighting their examination.

Viewing the securities is, in effect, taking an account of stock: it is the grand test of the correctness of the accounts, and the solvency and worth of the Association. Without it all the other examinations prove nothing. The annual examination of securities should never, under any circumstances, be omitted. Any stockholder has a right to demand such an examination, and no Association should be trusted that does not submit its affairs to at least an annual inspection by properly constituted committees selected by the stockholders, or with their consent.

A Word for Secretaries.

As a rule, the expenses of carrying on the work of an Association are light, owing, in a great measure, to the peculiar construction of the scheme, and the division of labor, as more fully dwelt upon in a former chapter. The average annual expense of each Association, from estimates based on an examination of a large number of annual reports, may be safely placed at one per cent. on the annual increase of the capital, hereinbefore designated the active capital. While this system of economical management is a very important feature, it is well to avoid the danger of running to extremes in this respect, especially in the amount of compensation allowed to secretaries. This officer is expected to have all the

business of the Association at his finger ends. It is absolutely necessary that every fact and detail of business should be plainly set forth in some form that will be easily understood by persons of ordinary comprehension.

This branch of the business of management cannot be divided up and delegated to a number; it must be the work of one mind, taking in the nature and requirement of the entire scheme. This one mind is necessarily the secretary, and the loss to him in time and labor should be made up, at least in something approaching a fair measure, by those of his brethren who do not suffer in this respect. While many Associations are reasonably fair in the amount of compensation allowed, many others are niggardly to a culpable degree.

Associations could be named that, while doing a large business, pay the insignificant sum of \$20 a year to the man who acts as Secretary. Others, with an annual increase of \$50,000, pay from \$100 to \$200. The highest salary that has come to the notice of the writer is \$600, paid by an Association with an invested capital of nearly \$400,000.

These remarks are not penned in the interests of secretaries entirely. It is an important question whether the work to be performed should not be well done, and being well done, whether it should not be *reasonably* well paid for. Where this is not the case, secretaries may sometimes feel warranted in speculating on the necessities of stockholders, by purchasing at a discount, stock that should be withdrawn at full value, a custom

that is sometimes winked at by directors and others, until it becomes a source of petty wrong and oppression. It often happens, however, that stockholders thus treated have but little right to complain. The legal maxim applies here as aptly as to any other case — “He who asks equity, must first do equity.”

The Building Association a Democracy.

It will be remembered that Building Associations, when properly organized, in addition to the co-operative feature, so largely dwelt upon in the foregoing pages, possess also a strictly democratical form of government. Under the Act of 1859, the stockholders are allowed to make all the laws and rules that govern the institution; they elect all their officers, and fix their terms of office and their duties. Thus the whole scheme is, as it should be, in the power, and subject to the will of those who own it.

The majority rule should always prevail in voting, and each member should have only one vote. Some Associations allow a member to cast as many votes as he has shares — called a stock vote. This is a bad rule. It gives the preference to capital over brains and experience. It gives the richer members power over the poorer ones. It tends to destroy confidence, create dissatisfaction, and often leads to fraud and oppression. It is a great aid to dishonest management, and the bane of the large corporations of the present day. As long as men do not grow wise in proportion as they grow rich, it is a rule that should never be tolerated in a Building Association.

PART II.

CONTAINING a description of the Minute-Book, — also the forms of the Cash Receipt-Book, — the Order or Cash-Payment Book, — the Journal, — the Ledger, and the various accounts therein, with directions for closing the same. — Also directions for changing from any Single Entry Plan of keeping books, to the Double Entry System. — The Form of the Stockholders' Ledger, and the manner of using it; with directions for transferring accounts from old books to the new. — Form of the Stockholders' Pass-Book. — Form of the Certificate of Stock. — Form of the Transfer-Book and Collateral Transfer-Book. — Form of the Notice to Withdraw. — Form of the Real Estate Register, with full descriptions for properly using it. — The Form of Application for a Loan, and the Report of the Committee on Loans.

THE MINUTE-BOOK, OR BOOK OF RECORDS.

THE first book required by those who intend to form a Building and Loan Association, is a minute-book or book of records, inasmuch as the first act of the Association, after its incorporation, is to meet for the purpose of organization, and the acceptance of its charter.

The application to the proper court having been made in due form, under the advice of counsel, and the charter granted, a majority of the corporators named in the charter meet, and having organized by the election of a temporary chairman and secretary, the first act to be done is the reading of the charter, which, if accepted by the meeting, is ordered to be placed upon the minutes as read.

The next thing to be done is the enacting of by-laws, for the government of the Association and the directors. It is proper, therefore, for the chair, with the consent of the meeting, to appoint a committee to prepare a draft of by-laws to report at some future meeting, a few days later, whereupon the meeting adjourns until the day named in the motion, fixing the time and place of the next meeting.

Sometimes, however, a draft of by-laws is prepared beforehand, ready to present at the first meeting. Whereupon the committee on by-laws

report that they are ready to present a draft of By-Laws for the consideration and adoption of the meeting.

If the consent of the meeting is obtained, the report of the committee is read and accepted.

The meeting will then go into the business of adopting the By-Laws. They should now be read again from beginning to end, to enable all present to become familiar with them, and to see the bearing and connection of the different parts, and their relation to the whole.

Having thus been read, a motion to read and adopt the By-Laws *seriatim* will be in order. They are then read, and adopted section by section and article by article.

This having been done, and the By-Laws as a whole adopted, they also should be spread upon the minutes. The Association is now almost ready for work.

The By-Laws have fixed the number, duties, title, and functions of the officers, the time and place of meeting, and all other matters necessary to guide and regulate a business corporation.

The next thing to be done is the election of the permanent officers, as prescribed by the By-Laws.

All these preliminary acts having been done, the meeting adjourns, to meet again on its first stated meeting-night, as fixed by the By-Laws.

The Minute-book is one of the most important books connected with the work and management of a business, and especially a monetary corporation.

The word "Minutes" is usually applied to a short-hand account of the transactions of a meeting or body of persons; but the minutes of a Bank, Saving Fund, or Building Association, and indeed of any corporation or body of men having property of any kind in management and charge, should be a full, accurate, and complete history of every act done or authorized at the meetings. In a Building Association, all the acts necessary to carry on the current business of the corporation are authorized by the Directors, at their stated or special meetings (only excepting such business as the By-Laws require to be enacted at a stockholders' meeting). This being the case then, it is important that the minutes should be a full, true, and correct record of all that is enacted, or that transpires at the meetings of the Directors or the stockholders.

The Order of Business.

The business of an Association will proceed with great smoothness and nicety when a regular order of doing the business is observed.

The exact order in which each department of the regular business is conducted is of little moment, if it is regular and usual, so that Directors may be prepared for any particular order of business when it comes up before the Board for action.

The following is given as an order of business that may be adopted as it stands, or may be enlarged upon or pruned to suit circumstances:

- 1st. Calling roll of Directors.
- 2d. Reading of minutes of previous meeting.
- 3d. Reading of Treasurer's monthly report, and action thereon.
- 4th. Sale of money on hand to loan.
- 5th. Receiving the description of property offered as security for loans.
- 6th. Appointment of Security Committees.
- 7th. Reports of Security Committees and action thereon.
- 8th. Consideration of securities offered.
- 9th. Reports of other committees.
- 10th. Communications, bills, etc.
- 11th. Conveyancers' or Solicitors' reports.
- 12th. Unfinished business.
- 13th. New business.
- 14th. Adjournment.

NOTE. — Matthias' Manual is an excellent guide to the mode of conducting the proceedings of a Board of Directors.

THE GENERAL ACCOUNT BOOKS.

The Cash Receipt Book.

The Cash Receipt Book of a Building Association is the book in which are entered all moneys *received* from any source whatever. It only represents one side of the cash account, however, — the debit side. The credit side of the cash account is represented by the "Order Book," which is treated of next. The Cash Receipt Book will always show each item of money received, at which particular meeting, by whom it was paid, or from whatever source it may have been derived.

This book should be ruled in three parallel dollar and cent columns on the right-hand half

of each page,* with space on the left-hand half of the page for the name of the stockholder, or the entry of any other account from which money is received, while on the extreme left of the page there should be a margin of half an inch for the entry of the number of the particular series of stock upon which the instalments are respectively paid; the object of this column being to enable the Secretary, when posting into the Stockholders' Ledger, to turn directly to the particular series to which the paying member belongs, and readily find the name to be credited with payment.

Thus will be shown all the sources of income of the nature of cash payments. The left-hand column shows the number of the series on which payment is made, the middle column the name of the payee, the next the amount of dues, next to this the amount of interest paid, if any, (the next, if under the Instalment Plan, the amount of premium paid,) and the last column will show the amount of fines paid by delinquents. When a loan is repaid, the amount will be entered at the foot of the account after the several columns are footed up and carried out, as shown in the following example; thus:

Dues	\$1,500.00
Interest (on loans).....	275.00
Fines (on arrears).....	15.00
Loans (repaid by —).....	1,000.00

Total receipts for the month..... \$2,790.00

* If this Cash Book is to be used by an Association working on the Instalment Plan of charging premiums, an additional column should be ruled between the "Interest" and "Fines" columns, in which should be entered the monthly payment of premiums.

The total of each column when thus footed up will show the aggregate receipts for the month, from items that go to form the assets and profits.

These totals should be posted into the Journal, as shown in the form hereinafter given. The name of each column in the Cash Book should be given to the account in the Ledger, to which the total of each is finally carried through the Journal. The amount of dues and interest (and premium, if paid in instalments,) paid by each stockholder, will be summed and posted into the Stockholders' Ledger opposite the name of the payor, in the appropriate column.

The following pages represent the Cash Book, as explained above, showing the receipts of twelve months' business of a Permanent Association on the Gross Plan, issuing stock in half-yearly series. The same form will suit the Net Plan, while the addition of another column for premiums, between the "Interest" and "Fines" columns, will adapt it to the Instalment Plan.

CASH BOOK.

Series.	Meeting January 3, 1870.	Dues.	Int'st.	Fines.
No. 1	J. Smith.....	\$50 00		
1	E. Jones	75 00		
1	A. Simpson.....	25 00		
1	J. Thompson.....	125 00		
1	P. Alexander.....	100 00		
	Dues.....	\$375 00		

CASH BOOK (*continued*).

Series.	Meeting February 7, 1870	Dues.	Int'st.	Fines.
No. 1	J. Smith.....	\$50 00		
1	E. Jones.....	75 00		
1	A. Simpson.....	25 00		
1	P. Alexander.....	100 00		
	Dues.....	\$250 00		
Series.	Meeting March 7, 1870.	Dues.	Int'st.	Fines.
No. 1	J. Smith.....	\$50 00		
1	E. Jones.....	75 00		
1	A. Simpson.....	25 00	\$5 00	
1	J. Thompson.....	250 00		\$12 50
1	P. Alexander.....	100 00		
	Dues	\$500 00		
	Interest..	5 00		
	Fines.....	12 50		
	Total.	\$517 50		
Series.	Meeting April 4, 1870.	Dues.	Int'st.	Fines.
No. 1	J. Smith.....	\$50 00		
1	E. Jones ...	75 00	\$4 00	
1	A. Simpson.....	25 00	5 00	
1	J. Thompson.....	125 00		
1	P. Alexander.....	100 00		
1	T. Adams (25 N. S.).....	100 00		
	Dues..	\$475 00	\$9 00	
	Interest.,.....	9 00		
	Total.....	\$484 00		

CASH BOOK.

Series.	Meeting May 2, 1870.	Dues.	Int'st.	Fines.
No. 1	J. Smith.....	\$50 00		-
1	E. Jones.....	75 00	\$4 00	
1	A. Simpson.....	25 00	5 00	
1	J. Thompson.....	120 00		
1	P. Alexander.....	100 00		
1	T. Adams.....	25 00	3 00	
	Dues... ..	\$395 00	\$12 00	
	Interest.....	12 00		
	Total	\$407 00		

Series.	Meeting June 6, 1870.	Dues.	Int'st.	Fines.
No. 1	J. Smith.....	\$50 00		
1	E. Jones.....	75 00	\$4 00	
1	A. Simpson.....	25 00	5 00	
1	J. Thompson.....	120 00		
1	P. Alexander... ..	100 00	3 00	
1	T. Adams.....	25 00	3 00	
1	K. Zook (15 N. S.).....	90 00		
	Dues	\$485 00	\$15 00	
	Interest.. ..	15 00		
	Total.....	\$500 00		

NOTE.— It will be observed that on and after July 4, 1870, a second series of Stock was issued; the payments on account of which appear on the following pages of the Cash Book.

CASH BOOK.

Series.	Meeting July 4, 1870.	Dues.	Int'st.	Fines.
No. 1	J. Smith.....	\$50 00		
1	E. Jones.....	75 00	\$4 00	
1	A. Simpson.....	25 00	5 00	
1	J. Thompson.....	120 00		
1	P. Alexander.....	100 00	3 00	
1	T. Adams.....	25 00	3 00	
1	K. Zook.....	15 00	4 00	
2	B. Tidmarsh.....	50 00		
2	S. Johnson.....	25 00		
2	B. Mackintyre.....	15 00		
2	M. Montrose.....	10 00		
	Dues	\$510 00	\$19 00	
	Interest	19 00		
	Total.....	\$529 00		

Series.	Meeting August 1, 1870.	Dues.	Int'st.	Fines.
No. 1	J. Smith.....	\$50 00		
1	E. Jones.....	75 00	\$4 00	
2	B. Tidmarsh.....	50 00		
1	J. Thompson.....	120 00	4 00	
2	S. Johnson.....	25 00		
1	P. Alexander.....	100 00	3 00	
1	T. Adams.....	25 00	3 00	
2	B. Mackintyre.....	15 00		
1	K. Zook.....	15 00	4 00	
2	M. Montrose.....	10 00		
1	A. Simpson.....	25 00	5 00	
	Dues	\$510 00	\$23 00	
	Interest	23 00		
	Loans, (A. Simpson.)	1000 00		
	Total.....	\$1533 00		

CASH BOOK.

Series.	Meeting Sept. 5, 1870.	Dues.	Int'st.	Fines.
No. 1	E. Jones.....	\$75 00	\$4 00	
2	B. Tidmarsh.....	50 00		
1	J. Smith.....	50 00		
1	J. Thompson.....	120 00	4 00	
2	S. Johnson	25 00		
1	P. Alexander.....	100 00	3 00	
2	B. Mackintyre.....	15 00		
1	T. Adams.	25 00	3 00	
1	K. Zook.....	15 00	4 00	
2	M. Montrose.....	10 00	10 00	
	Dues	\$485 00	\$28 00	
	Interest	28 00		
	Total	\$513 00		

Series.	Meeting October 3, 1870.	Dues.	Int'st.	Fines.
No. 2	M. Montrose	\$10 00	\$10 00	
1	P. Alexander.....	100 00	3 00	
1	J. Thompson.....	120 00	4 00	
2	B. Tidmarsh.....	50 00		
1	E. Jones.....	75 00	4 00	
1	J. Smith.....	50 00		
2	S. Johnson	25 00		
1	T. Adams.....	25 00	3 00	
2	B. Mackintyre.....	15 00	4 00	
1	K. Zook	15 00	4 00	
	Dues	\$485 00	\$32 00	
	Interest	32 00		
	Total	\$517 00		

CASH BOOK.

Series.	Meeting Nov. 7, 1870.	Dues.	Int'st.	Fines.
No. 2	B. Tidmarsh.....	\$50 00		
1	E. Jones.....	75 00	\$4 00	
1	P. Alexander.....	100 00	3 00	
2	M. Montrose	10 00	10 00	
1	J. Thompson.....	120 00	4 00	
1	J. Smith.....	50 00		
2	S. Johnson	25 00	5 00	
1	K. Zook.....	15 00	4 00	
2	B. Mackintyre.....	15 00	4 00	
1	T. Adams	25 00	3 00	
	Dues	\$485 00	\$37 00	
	Interest.....	37 00		
	Total	\$522 00		

Series.	Meeting Dec. 5, 1870.	Dues.	Int'st.	Fines.
No. 2	B. Mackintyre.....	\$15 00	\$4 00	
1	E. Jones.....	75 00	4 00	
2	B. Tidmarsh.....	50 00		
1	J. Thompson.....	120 00	4 00	
2	M. Montrose.....	10 00	10 00	
1	P. Alexander.....	100 00	3 00	
1	J. Smith.....	50 00		
2	S. Johnson	25 00	5 00	
1	T. Adams.....	25 00	3 00	
1	K. Zook.....	15 00	4 00	
	Dues	\$485 00	\$37 00	
	Interest	37 00		
	Total ..	\$522 00		

The Order- (or Cash-Payment) Book.

All moneys paid out of the Treasury should be by order, check, or draft, on the Treasurer, endorsed by the payee. The margin of the book should be a short-hand or abbreviated duplicate of each order or check taken from it. Having the number of the order and the date. To whom given, and on what account. Whether for dues (or stock) withdrawn, expenses, loans, &c., and the amount paid. The account to which each item of payment is to be journalized and posted into the Ledger, should, in all cases, be prominently named on the margin of the Order-Book. Thus the particular account in the Ledger to which the item belongs, and the item itself as there posted, can be turned to at once. From these two books (the Cash-Receipt, and Order or Cash-Payment Book) thus kept, any experienced accountant can form a complete set of Double Entry Books at any time, showing the monetary transactions of the Association. And in case of the loss or destruction of the original Journal or Ledger, exact duplicates of them, and of each item and date in them, can be produced in a short time. And further, these books, if properly kept, are a complete check upon all receipts and payments to the "uttermost farthing."

It will be noticed that the word "*loan*," in the margin or stubb of the Order-Book, and the word "*premium*," directly under it, and all other words in italics, are the names of the accounts to which the items they represent will be respectively journalized, and from thence posted into the Ledger.

The following pages contain the form of the order, and show the twelve months' payments of the same Association :

ORDER BOOK.

Jan., 1870. { No. 1. }	{ No. 1. }	{ \$625.00 }
	<i>The Treasurer of</i>	
	THE WORKINGMAN'S BUILDING	
	ASSOCIATION	
Paid A. Simpson,	Will pay to the Order of A. Simpson, six hundred and twenty-five dollars (\$625.00).	
For Loan..... \$1000		
Less Premium, 375		
<i>Treas. Acct.</i> \$625	_____	President.
	_____	Secretary.
	Jan., 1870.	

Mar., 1870. { No. 2. }	{ No. 2. }	{ \$ }
	<i>The Treasurer of</i>	
	THE WORKINGMAN'S BUILDING	
	ASSOCIATION	
Paid I. Brown, Esq.,	Will pay to the Order of I. Brown, Esq., fifty dollars (\$50).	
<i>Expense Account.</i>		
Counsel fee and costs of obtaining charter,		
<i>Treas. Acct.</i> \$50.	_____	President.
	_____	Secretary.
	Mar., 1870.	

Mar., 1870. { No. 3. }	{ No. 3. }	{ \$ }
Paid E. Jones,		
For Loan of \$800.00		
Less Premium, 320.00		
<i>Treas. Acct.</i> \$480.00		

ORDER BOOK.

April, 1870. { No. 4. }
 Paid T. Adams,
 For *Loan* of...\$600.00
 Less *Premium*, 222.00

Treas. Acct. \$378.00

May, 1870. { No. 5. }
 Paid P. Alexander,
 For *Loan* of...\$600.00
 Less *Premium*, 240.00

Treas. Acct. \$360.00

May, 1870. { No. 6. }
 Paid J. Thompson,
 For *Dues* (5 shares
 Series No. 1) with-
 drawn\$20.00

May, 1870. { No. 7. }
 Paid *Expense Ac-*
 count, Mann & Co.,
 for blank books,
 stationery, and
 printing.....\$125.00

June, 1870. { No. 8. }
 Paid K. Zook,
 For *Loan*.....\$800.00
 Less *Premium*, 320.00

Treas. Acct. \$480.00

ORDER BOOK.

July, 1870. { No. 9. }

Paid J. Thompson,
For *Loan*\$800.00
Less *Premium*, 320.00

Treas. Acct. \$480.00

Aug., 1870. { No.10. }

Paid A. Simpson,
For *Dues* (25 sh.
Series No.1) with-
drawn..... \$200.00

Aug., 1870. { No.11. }

Paid A. Simpson,
Premium Acc't,
Returned on re-
paying Loan.
Original Prem.\$375.00
Less $\frac{1}{4}$ off..... 23.43

Treas. Acct. \$351.57

Aug., 1870. { No.12. }

Paid M. Montrose,
For *Loan*. ..\$2000.00
Less *Premium*, 800.00

Treas. Acct. \$1200.00

ORDER BOOK.

Sept., 1870. { No. 13. }	
Paid B. Mackintyre,	
For <i>Loan</i> , 4 sh. \$800.00	
Less <i>Premium</i> , 296.00	
<i>Treas. Acct.</i> \$504.00	

Oct., 1870. { No. 14. }	
Paid S. Johnson,	
For <i>Loan</i> , 5	
shares....\$1000.00	
Less <i>Premium</i> , 450.00	
<i>Treas. Acct.</i> \$550.00	

Dec., 1870. { No. 15. }	
Paid S. Smith,	
For <i>Loan</i> , 9	
shares....\$1800.00	
Less <i>Premium</i> , 756.00	
<i>Treas. Acct.</i> \$1044.00	

1870. { No. 16. }	
Paid	\$—
For	

The Journal.

The next book used will be the Journal. Into this book will be "journalized," under their proper heads, in accounts to which they belong, the footings of the Cash Receipt Book, and the contents of the margins or stubbs of the Order Book, in the order in which they severally occur.

Some bookkeepers dispense with the Journal entirely, and attempt to save time and labor by posting from the Cash and Order Books directly into the proper account in the Ledger.

This may be well enough when the accounts to be set forth are for an individual or a firm, to whom the business represented is familiar. When, however, it is recollected that the accounts of a moneyed corporation are to be elucidated, the members of which are constantly coming and going, numbering oftentimes hundreds of individuals, and whose only mode of ascertaining the correctness of these accounts is through an auditing committee, composed of a few of their number, on whose judgment and astuteness they must rely for correctness, it is important to give them every facility. The Journal is the *conduit pipe* through which every item of receipt or payment of debit and credit must pass previous to distribution into their appropriate accounts on the Ledger. Here is the central point to which one can look to see at a glance how one entry is balanced by another entry or series of entries, and how the different entries are distributed through the Ledger. Each item being entered under the

name of the account to which it will be posted in the Ledger.

The form of the Journal and entries therein set forth, as carried from the Cash Receipt and Order Book, are shown in the following pages:

FORM OF THE JOURNAL.

1 Philadelphia, January 3, 1870.		DR.	CR.
1	Treasurer.....	\$375 00	
3	To Dues of January meeting.....		\$375 00
<i>February 7.</i>			
1	Treasurer.....	250 00	
3	To Dues of February meeting.....		250 00
4	Loans Acc't. To Sundries.	1000 00	
1	To Treasurer (paid A. Simpson per Order No. 1).....		625 00
4	To Premiums, at 37½.....		375 00
<i>March 7.</i>			
1	Treasurer. To Sundries.....	517 50	
3	To Dues		500 00
4	To Interest } of March meeting.....		5 00
5	To Fines }		12 50
6	Expense Acc't. } Counsel fee and	50 00	
1	To Treasurer. } costs of obtaining		
			50 00
			No. 2.....
4	Loans Acc't. To Sundries.....	800 00	
1	To Treasurer (paid E. Jones per Order No. 3.).....		480 00
4	To Premiums, at 40 per cent.....		320 00

FORM OF THE JOURNAL—(Continued).

2		DR.	CR.
<i>April 4.</i>			
1	Treasurer. To Sundries.....	\$484 00	
3	To Dues } of April meeting.....		\$475 00
3	To Interest }		9 00
4	Loans Acc't. To Sundries.....	600 00	
1	To Treasurer (T. Adams, per Order No. 4).....		378 00
4	To Premiums, at 37 per cent.....		222 00
<i>May 2.</i>			
1	Treasurer. To Sundries.....	407 00	
3	To Dues } of May meeting.....		395 00
3	To Interest }		12 00
4	Loans Acc't. To Sundries.....	600 00	
1	To Treasurer (paid P. Alexander, per Order No. 5).....		360 00
4	To Premiums.....		240 00
5	Stock Account.....	20 00	
1	To Treasurer (J. Thompson, withdrawal of 5 sh's, per Order No.6)		20 00
5	Expense Account.....	75 50	
1	To Treasurer (paid Mann & Co., per Order No. 7).....		75 50
<i>June 6.</i>			
1	Treasurer. To Sundries.....	500 00	
3	To Dues } of June meeting.....		485 00
3	To Interest }		15 00
4	Loans Acc't. To Sundries.....	800 00	
1	To Treasurer (paid K. Zook per Order No. 8).....		480 00
4	To Premiums, at 40 per cent.....		320 00

FORM OF THE JOURNAL—(Continued).

3 The Association having reached the end of its first fiscal term, the following entries are made to close the books:			
	<i>June 10.</i>	DR.	CR.
3	Dues.....	\$2480 00	
5	To Stock Account.....		\$2480 00
6	Profit and Loss Account.....	125 50	
5	To Expense.....		125 50
	Sundries, viz.:		
3	Interest Account.....	41 00	
5	Fines Account.....	12 50	
4	Premium Account.....	1477 00	
6	Dr. to Profit and Loss.....		1530 50
6	Profit and Loss	1402 20	
5	To Stock.....		1402 20

First Semi-Annual Statement of The Workingman's Building Association for the term ending June 10, 1870:

ASSETS:

Loans, Bonds, and Mortgages	\$3800.00
Balance in the Treasury.....	65.00
	<u>\$3865.00</u>

LIABILITIES:

Dues for the Term.....	\$2480.00	
Withdrawn during the Term.....	20.00	
	<u></u>	\$2460.00
Net gain for the Term.....		1402.20
		<u></u>
Total carried to Stock.....		\$3862.20
		<u></u>
Undivided balance.....		\$2.80

PROFIT AND LOSS:

Expenses.....	\$125.50
Net Gain divided.....	1402.20
Net Gain undivided.....	2.80

Interest	\$41.	00
Fines.....	12.	00
Premiums.....	1477.	00
	<u>\$1530.50</u>	<u>\$1530.</u> 00

NOTE.—By referring to the left-hand column of the *Stockholders' Roll Book*, the number of shares issued will be seen. The number withdrawn during the term appears on the extreme right under "Transfers and Withdrawals," to wit:

Total Issued	-	-	-	-	415
Withdrawn during Term	-	-	-	-	5

Total number of Shares remaining in 1st Series 410

Divided into assets, \$3862.20 gives \$9.42 as the value of each share, leaving \$2.80 in Profit and Loss Account undivided.

The entries for the next fiscal term will now be made, including the business resulting from the issue of a second series of stock.

4 Philadelphia, July 4, 1870.		DR.	CR.
1	Treasurer. To Sundries.....	\$529	00
3	To Dues		\$510
3	To Interest } of July meeting.....		19
4	Loans. To Sundries.....	800	00
1	To Treasurer. J. Thompson, No. 9		480
4	To Premiums, at 40 per cent.....		320

5		DR.	CR.
<i>August 1.</i>			
2	Treasurer. To Sundries.....	\$1533 00	
3	To Dues } of August meeting....		\$510 00
3	To Interest }		23 00
4	To Loans (repaid by A. Simpson)..		1000 00
5	Stock } Paid A. Simpson's	200 00	
2	To Treasurer } Withdrawal, No. 10.		200 00
4	Premiums } Returned A. Simp-	351 57	
2	To Treasurer } son, on repaying		351 57
	Loan, less $\frac{1}{8}$ off.		
	No. 11.		
4	Loans. To Sundries.....	1800 00	
2	To Treas'r, (M. Montrose,) No. 12.		1080 00
4	To Premiums.....		720 00
<i>September 5.</i>			
2	Treasurer. To Sundries.....	513 00	
3	To Dues } of September meeting		485 00
3	To Interest }		28 00
4	Loans. To Sundries.....	800 00	
2	To Treas. (B. Mackintyre), No. 13.		504 00
4	To Premiums, at 37.....		296 00
<i>October 3.</i>			
2	Treasurer. To Sundries.....	517 00	
3	To Dues } of October meeting...		485 00
3	To Interest }		32 00
4	Loans. To Sundries.....	1000 00	
2	To Treasurer (S. Johnson, No. 14).		500 00
4	To Premiums, at 50 per cent.....		500 00
<i>November 1, 1870.</i>			
2	Treasurer. To Sundries.....	522 00	
3	To Dues.....		485 00
3	To Interest.....		37 00

6		Dr.	Cr.
<i>December 6.</i>			
2	Treasurer. To Sundries.....	\$522 00	
3	To Dues.....		\$485 00
3	To Interest.....		37 00
4	Loans. To Sundries.....	1600 00	
2	To Treasurer, (S. Smith, No. 15)...		928 00
4	To Premiums, at 42 per cent.		672 00
The Association having reached the end of its second fiscal term, the following entries are made to close the books:			
<i>December 31.</i>			
3	Dues.	2960 00	
5	To Stock.....		2960 00
Sundries, viz.:			
5	Stock Account (Profits on Withdrawals during the term).....	85 50	
3	Interest.	176 00	
4	Premiums.....	2156 43	
6	To Profit and Loss.....		2417 93
6	Profit and Loss.....	2417 50	
5	To Stock.....		2417 50

BALANCE SHEET FOR SECOND TERM.

Loans Account, Dr.....	\$8800.00	
Treasurer's Account.....	157.43	
		<u>\$8957.43</u>
Stock Account, Cr.....		\$8954.20
Profit and Loss Acct. (bal. undivided).....		3.23
		<u>\$8957.43</u>

SECOND SEMI-ANNUAL STATEMENT
OF
THE WORKINGMAN'S BUILDING ASSOCIATION,
For the Term ending December 31, 1870.

ASSETS:	LIABILITIES:
Balance of Bonds and Mortgages at last report..\$3800.00	Dues paid 1st Term.... \$2480.00
Loans of 2d Term 6000.00	Dues withd'n 1st Term 20.00
<hr/>	<hr/>
\$9800.00	Bal. of dues 1st Term..\$2460.00
Loans repaid during 2d Term.. 1000.00	Net gain of 1st Term adjusted..... 1402.20
<hr/>	<hr/>
\$9800.00	\$3862.20
Loans repaid during 2d Term.. 1000.00	Dues withdrawn from 1st series, during 2d Term .....\$200.00
<hr/>	<hr/>
Present balance of Loans.....\$8800.00	Previously ad-justed profits transf'd from Stock to Profit and Loss Acct. 85.50
Cash in Treas-ury..... 157.43	<hr/>
<hr/>	\$285.50
<hr/>	"Passive Capital" (be- ing present value of stock of 1st series ex- clusive of payments of present term) .....\$3576.70
<hr/>	Dues of 1st series, 2d Term .....\$2360.00
<hr/>	Dues of 2d series..... 600.00
<hr/>	<hr/>
<hr/>	Total Dues 2d Term...\$2960.00
<hr/>	Net Gain divided..... 2417.50
<hr/>	<hr/>
<hr/>	\$5377.50
<hr/>	Bal. of Gain undivided 3.23
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Dues paid on each Share 1st Series, 1st Term.....	\$6.00	
Gain " " " " 	3.42	\$9.42
Dues " " " 2d Term.....	\$6.00	
Int'st on value of each Share 1st Series at last report. .56		
Gain on " " 2d Term.....	4.54	11.10
Total value of " " 		\$20.52
Dues paid on each share of 2d Series, 2d Term.....	\$6.00	
Gain " " " " 	4.54	\$10.54
Number of Shares 1st Series...385	Total value.....	\$7900.00
" " 2d "...100	Total value.....	1054.00
Total number of Shares.....	485	\$8954.20
	Bal. of gain undivided	3.23
		<u>\$8957.43</u>

The Ledger.

The Ledger is the last of the set of "General Account-Books;" it is the grand receptacle of all the items set forth on the pages of the Journal. Into this book, to the appropriate account, each item that appears on the Journal is finally posted.

The Names of the Accounts.

The business of a Building Association does not require many accounts to set forth its financial condition, and maintain a correct record of all its dealings.

The following named accounts, into which the system of Bookkeeping may be divided, will comprehend everything that is necessary to show the ordinary financial transactions of an Association

ACCOUNTS THAT SHOW THE ASSETS AND LIABILITIES.**The Treasurer's Account.**

The first of these in order is the Treasurer's Account, which is really the Cash Account of the Association. For here the two sides of the account are placed opposite. Into this account, from the Journal, is carried the grand total of the receipts of each meeting, being Debit to the Sundry items composing the grand total sum on the footing up of the Cash Receipt-Book; while to the credit of this account is posted from the Journal the amount of each order paid by the Treasurer. The difference between these two sides of the account showing the balance remaining in the hands of the Treasurer. The Treasurer's Account should be posted and closed so as to show the receipts and payments of each month, with the balance on hand at each meeting. (See Treasurer's Account in Ledger, page 154.)

The Dues Account.

This is the account between the Association and the Stockholders in the aggregate; (the Stockholders' Roll-Book, showing the accounts of individual stockholders, is treated of further on.) To the credit side of this account is posted each month, from the Journal entry, the item taken from the Cash Receipt-Book denominated "Dues."

At the end of the fiscal term the total of all the entries in this account will show the aggregate of dues paid in on account of all series; (the

Stockholders' Roll-Book shows the number of shares in each series. *See form of Roll-Book.*) This balance is then closed into Stock Account. (See entry in Dues Account, Ledger, page 156.)

Stock Account.

This account will not be opened until the end of the first fiscal term; (in the present form of Books, the term is fixed at six months.) To the credit side of this account, by entries on the Journal (to be made among the various entries to close the books), will be posted the balance found to the credit of "Dues" Account, and the net balance found to the credit of Profit and Loss Account. This account will then show at the end of each fiscal term the aggregate value of the stock, as composed of dues and profits. (See Dues Account, Profit and Loss Account, and Stock Account, in the Ledger.)

The aggregate value of each series, and of each share in each series, will be ascertained by a separate calculation, and set forth in the annual statement, which should be spread upon the Journal, or Minute-Book, where a Journal is not used. (See form of Statement, page 143.)

Loan Account.

This is the account between the Association and its borrowing members in the aggregate. To the debtor side of this account the amount of the loan is posted from the original entry in the margin of the Order-Book through the Journal in which the entry would appear, thus :

Loans.	Dr. to Sundries	\$1000.00
To Treasurer's Account (Paid I. Smith)		\$750.00
To Premium Account		250.00

The other two items being posted to their respective accounts in the Ledger, these entries will balance each other. To the credit side of this account will be posted from the original entry in the Cash Receipt-Book through the Journal, the amount of any loan that is repaid by the borrower. And the balance in favor of the debit side of the account will show the aggregate of loans outstanding.

To find the actual aggregate amount of cash to be furnished, however, by all the borrowers in repayment of their loans at any given time, the aggregate withdrawing value of each share of stock borrowed upon, and the total of "return premium" for the unexpired years of the loans, must be ascertained and deducted from the balance of outstanding loans. But this proceeding would only be necessary in case of a premature winding up of business.

These three accounts are closed by or to balance, as the case may be, and show respectively the amount due at a given time, to the Association, or, in other words, the amount of its assets in bonds and mortgages in the balance remaining on the debtor side of the loan account, and the balance of cash in the Treasurer account. And on the other hand, the amount of the liabilities of the Association are shown in the balance remaining to the credit side of the "stock" account.

See the manner in which each of these accounts is closed, as shown in Ledger.

The Accounts that show the Losses and Gains of an Association.

The four accounts next following are those which show the gains and losses of an Association, being those accounts into which the various items of profit and loss are posted under the proper heads in the Ledger.

These are: first, the "Interest Account;" second, the "Premium Account;" third, the "Fines Account;" (these three are all the regular Profit Accounts;) and fourth, the "Expense Account." The balances of these four accounts form the items that compose the "Profit and Loss" Account on the annual or more frequent closing of the books.

First Interest Account.

The items forming this account are first entered in the interest column of the Cash-Book, and the aggregate of the monthly receipt of these items is carried through the Journal, to the credit side of the Interest Account in the Ledger, after each monthly meeting. (See Interest Account in Ledger, page 156.)

It is seldom any debit entry is required to be made to this account in the ordinary experience of business. Sometimes, however, a stockholder may desire to pay a considerable amount of dues in advance, in which case it is customary to allow him interest from the time of payment until they would regularly fall due to the Association; a proper equation being made, &c.

An item of this kind being an outgo or pay-

ment by the Association, of course it will come from the margin of the Order or Cash-Payment Book.

Premium Account.

This account is made up of items of premiums deducted from Loans, (when not paid in monthly instalments, as under the Instalment Plan,) and when thus deducted, under the Gross or Net Plans, the entry originates on the margin of the Order-Book, is then journalized and posted to the credit side of the Premium Account. An order for a return of premium would be posted to the debtor side of this account. (See Order-Book and margin No. 11, page 134.) When, however, the

Instalment Plan

is adopted by granting the full amount of money borrowed, and receiving the premium in monthly instalments, being a cash receipt like interest, it is entered on the Cash-Book when paid, in a separate column set apart for it, and is journalized and posted to the credit side of the Premium Account in the same manner that interest and fines are journalized and posted, as previously explained. The only difference in the form of the Cash-Book being an additional column on the right-hand side of the page.

Fines Account.

The items composing this account are first entered upon the Cash-Book in all cases, and take

exactly the same course through the Journal, and to the credit side of the Fines Account in the Ledger, as the items of interest do. (See Fines Account in Ledger, page 158.)

There can be no occasion for an entry to the debit side of this account, unless where one has paid fines by mistake; and then the entry will appear on the margin of the Order-Book, as in the case of interest or premiums returned. Having been once entered upon the books and charged to the Treasurer, the only proper way to get it back and correct the entry is by an order on that officer.

Expense Account.

This account shows the annual expenses. Its entries spring from the margin of the Order-Book, (see margin of Order No. 7, and follow through Journal on p. 138.) The items are, of course, entered to the debtor side of the account.

Entries to the credit side of this account would only be made in case of an erroneous over-payment, or in the event of the sale of some article originally an expense to the Association, such as a fire-proof safe and the like.

The money received from these sources would, of course, first appear in the Cash-Book. There being no special column in the Cash-Book for such entries, however, they could be made after the cash is closed, under the total footings of the general accounts, as in the case of loans repaid.

These four last-named accounts, to wit, "Interest," "Premiums," "Fines," and "Expense"

Accounts, are closed into Profit and Loss at the annual or earlier settlement of the books.

The first three being gains, the balances remaining in them are *debited* to Profit and Loss on the Journal; while the last one, being what is termed a loss, the balance shown is *credited* to Profit and Loss on the Journal, and are then posted to Profit and Loss Account in the Ledger. (See page 159.)

The balance remaining in Profit and Loss will be the sum to be divided between the different shares of stock, in accordance with such rules as the particular Association may adopt, or its peculiar mode of doing business may require. The different rules for such division or apportionment of gains are treated of in Chapter VI. of this work.

Closing the Books.

The various entries made during the year having been properly "journalized" and "posted" to their proper accounts in the Ledger, in accordance with the forms given on the previous pages; the trial balance having proved the books to be in equilibrium; the work of closing the books is very simple.

This is done by closing the Treasurer's Account to Balance, the Dues Account into Stock Account, and the Loan Account by Balance, they being Assets and Liability Accounts, and by closing "Interest," "Fines," "Premiums," to the credit side of the "Profit and Loss Account," and "Expense Account" to the debtor side of Profit

and Loss Account, as shown in the last entries on the Journal, under the head of "Entries to close the Books."

Each of these items is then posted from the Journal to their proper place in the Profit and Loss Account, (as will be seen by following back the entries as they appear in that account in the Ledger.) On closing Profit and Loss, the net gain will appear in the balance remaining to the credit side of the account, to wit: \$2417.50. This balance is the profit to be divided between the shares of stock remaining in the hands of stockholders at the time of closing the books. The mode of making this division, and the different rules applicable to differing circumstances, will be found in the 6th Chapter. It is deemed advisable not to complicate this part of an explanation with details that can as well be elucidated elsewhere.

We will, therefore, for present purposes, suppose the division of profits to have been calculated, and notice the last entry to be made before re-opening the books for the reception of the entries of the next year's business.

This entry consists in carrying the balance remaining to the credit of Profit and Loss (or so much of that balance as may have been divided up among the shares *) to the credit of Stock Ac-

* It will often be found that in dividing the profits, the portion due each share will be a certain sum and a fraction of a cent. To avoid the trouble of carrying fractions through the account, it is well to take only so much of the net gain as will divide into dollars and cents, and leave that portion which would create a fraction to go to the profit of the next year, as it would be a very insignificant sum. (See Profit and Loss Account, in Ledger.)

count, as shown by the last entry in the Journal. This will show the aggregate of all "Dues" paid by the stockholders, with the aggregate of profits earned for the year. The books are now ready for the next year's business.

The following pages show the forms of the various accounts spoken of, as set forth in the Ledger. They contain, under their various titles, the items originally spread upon the Cash Receipt and Order Books. The accounts are designated by the same names as those to which the items are originally charged or credited.

It will be noticed that the books are closed at the end of the first six months, or semi-annual term, and again at the end of the second semi-annual term.

This was done in consequence of the issue of a new or second series at the beginning of the second term. It is intended to illustrate fully the process of opening and closing the books when occasion requires it. It is a very simple process, consisting merely in closing Premiums, Interest, Fines, and Expense Account into Profit and Loss, and, after adjusting the net gain for the term appearing to the credit of that account, to the Stock of the different series, under some one of the rules previously given, and then closing Profit and Loss and Dues Accounts into Stock, and the books are ready for the business of the next term.

1 TREASURER'S ACCOUNT.

1870			Dr.	1870			Cr.
Jan. 3	To Dues	1	\$ 375 00	Feb. 7	By Sundries, No. 1....	1	\$625 00
Feb. 7	"	3	250 00				
			625 00				
Mar. 7	To Sundries..	1	517 50	Mar. 7	By Expense Acct. No. 2	1	50 00
	Bal. overp'd		12 50		Loan Acct. No. 3.....	1	480 00
			530 00				530 00
Apr. 4	To Sundries..	2	484 00	Apr. 4	By Balance...		12 50
					Loan, No. 4	2	378 00
					Balance.....		93 50
							484 00
May 2	To Balance...		93 50	May 2	By Loan No.5	2	360 00
	Sundries	2	407 00		Dues, No. 6..	2	20 00
					Expense, 7	2	75 50
					Balance.....		45 00
			500 50				500 50
June 6	To Balance...		45 00	June 6	By Loan No.8	2	480 00
	Sundries	2	500 00		Balance.....		65 00
							545 00
			545 00				
July 4	To Balance...		65 00	July 4	By Loan No.9	4	480 00
	Sundries	4	529 00		Balance.....		114 00
							594 00
			594 00				

TREASURER'S ACCOUNT — (Continued).

70		DR.		1870	CR.	
g. 1	To Balance...	\$114	00	Aug. 1	By Dues 10 5	\$200.00
	Sundries 5	1533	00		Prem'ns 11 5	351 57
					Loans 12 5	1080 00
					Balance.....	15 43
		1647	00			1647 00
st. 5	To Balance...	15	43	Sept. 5	By Loan 13 5	504 00
	Sundries 5	513	00		Balance.....	24 43
		528	43			528 43
h. 3	To Balance...	24	43	Oct. 3	By Loan 14 5	500 00
	Sundries 5	517	00		Balance.....	41 43
		541	43			541 43
v. 1 c. 6	To Balance...	41	43	Dec. 6	By Loan 15 6	928 00
	Sundries 5	522	00		Balance.....	157 43
	Sundries 6	522	00			1085 43
		1085	43			
c.31	Bal. on hand.	\$157.43				

3

DUES ACCOUNT.

1870		DR.	1870		CR.
			Jan. 3	By Treasurer	1 \$375 00
			Feb. 7	" "	1 250 00
			Mar. 7	" "	1 500 00
			Apr. 4	" "	2 475 00
			May 2	" "	2 395 00
			June 6	" "	2 485 00
Jun. 10	To Stock Ac't	3 \$2480 00			\$2480 00
			July 4	By Treasurer	4 510 00
			Aug. 1	" "	5 510 00
			Sept. 5	" "	5 485 00
			Oct. 3	" "	5 485 00
			Nov. 1	" "	5 485 00
			Dec. 6	" "	6 485 00
Dec. 31	To Stock Ac't	6 2960 00			\$2960 00

INTEREST ACCOUNT.

1870		DR.	1870		CR.
			Mar. 7	By Treasurer	1 \$5 00
			Apr. 4	" "	2 9 00
			May 2	" "	2 12 00
			June 6	" "	2 15 00
Jun. 10	To Pr. & Loss	3 \$41 00			\$41 00
			July 4	By Treasurer	4 19 00
			Aug. 1	" "	5 23 00
			Sept. 5	" "	5 28 00
			Oct. 3	" "	5 32 00
			Nov. 1	" "	5 37 00
			Dec. 6	" "	6 37 00
Dec. 31	To Pr. & Loss	6 \$176 00			\$176 00

LOAN ACCOUNT.

1870		Dr.	1870		Cr.
b. 7	To Sundries				
	A. Simpson.	1 \$1000 00			
r. 7	E. Jones.....	2 800 00			
r. 4	T. Adams...	2 600 00			
y 2	P Alexander	2 600 00			
ne 6	K. Zook.....	2 800 00			
	Balance at 1st semi-annual settlement ..	\$3800 00	Aug. 1	By Treasurer A. Simpson	5 \$1000 00
ly 4	To Sundries				
	J. Thompson	4 800 00			
g. 1	M. Montrose	5 1800 00			
st. 5	B. Mack'tyre	5 800 00			
t. 3	S. Johnson..	5 1000 00			
a. 6	S. Smith.....	6 1600 00		By Balance...	8800 00
		\$9800 00			\$9800 00
c.31	To Balance...	\$8800 00			

PREMIUM ACCOUNT.

1870		Dr.	1870		Cr.
			Feb. 7	By Loan.....	1 \$375 00
			Mar. 7	" "	1 320 00
			Apr. 4	" "	2 222 00
			May 2	" "	2 240 00
			June 6	" "	2 320 00
1.10	By Pr. & Loss	3 \$1477 00			\$1477 00
g. 1	By Treasurer A. Simpson	5 \$351 57	July 4	By Treasurer	4 \$320 00
			Aug. 1	" "	5 720 00
			Sept. 5	" "	5 296 00
			Oct. 3	" "	5 500 00
c.31	By Pr. & Loss	5 2156 48	Dec. 6	" "	6 672 00
		\$2508 00			\$2508 00

5

FINES ACCOUNT.

1870			DR.	1870			CR.
Jun. 10	To Pr. & Loss	3	\$12|50	Mar. 7	By Treasurer	1	\$12|50

EXPENSE ACCOUNT.

1870			DR.	1870			CR.
Mar. 7	To Treasurer	1	\$50 00				
May 2	"	2	75 50				
			<hr/>				
			\$125 50				
			<hr/>				
				Jun. 10	By Pr. & Loss	3	\$125 50
							<hr/>

STOCK ACCOUNT.

1870			DR.	1870			CR.
May 2	To Treasurer			Jun. 10	By Dues Acct.	3	\$2480 00
	(Withd'ls)	2	\$20 00	"	Profit & Loss	3	1402 20
	Balance.....		3862 20				
Aug. 1	To Treasurer				By Balance...		3862 20
	(Withd'ls)	5	200 00	Dec. 31	Dues Acct...	6	2960 00
Dec. 31	Profit & Loss	6 *	85 50	"	Profit & Loss	6	2417 50
	Balance.....		8954 20				
			\$9239 70				\$9239 70
					By Balance...		\$8954 20

* Profit remaining from withdrawals during the term. (See p. 89.)

* Profit remaining from withdrawals during the term. (See p. 89.)

6

PROFIT AND LOSS.

1870		Dr.	1870		Cr.
Jun.10	To Expense Account.	3 \$125 50	Jun.10	By Sundries (Int., Fines, & Prens.)...	3 \$1530 50
"	Stock Acct..	3 1402 20			
	Balance (not divided)	2 80			
		<u>\$1530 50</u>			
Dec.31	To Stock Acct	6 \$2417 50	Dec.31	By Balance...	\$2 80
	Balance (not divided)	3 23		Sundries, (Int., Prens., & Profit on Withdr'als).	6 2417 93
		<u>\$2420 73</u>			<u>\$2420 73</u>
				By Balance...	\$3 23

Directions for Changing from a Single Entry Plan of Keeping Books to the Double Entry System.

This is very easily done, and requires but a very few entries in the Journal and Ledger.

Under any intelligible plan or system of keeping the accounts of a Building Association, at any periodical closing of the books, the items to be transferred will be found under two heads or divisions. Under one will be collected all the accounts representing *Assets*, and under the other all the accounts representing *Liabilities*. In making a change in the form of the books, it is best to do so at the beginning of a new fiscal term.

Having closed the old set of books, we will suppose the Asset Account shows, in Bonds and Mortgages, and stock securities, if any, \$50,000. Perhaps real estate taken at Sheriff's sale, the cost of which was, say, \$5000. The Permanent Expense Account (fire proofs, &c.), say \$500. Balance in Treasurer's hands, say \$250.00.

The liabilities will be represented by stock, (being the dues actually paid in, and the accumulated profits up to date.) We will suppose the total of Stock Account to foot up \$55,750.00, as this account generally balances the assets.

It only remains to make the following entry on the Journal :

Sundries, to wit:	
Loan Account (Bonds, Mortgages, &c.),	\$50,000.00
Real Estate (No. 675 North 5th St.)...	5,000.00
Permanent Expense Account.....	500.00
Balance in Treasury.....	250.00
<hr/>	
Dr.....	\$55,750.00
To Stock Account.....	\$55,750.00

These various items being posted to their proper accounts in the Ledger, the new books are open for use.

It only remains to follow on with the entries of each month's business as shown in the form of books preceding these directions.

It is not necessary to include among the assets dues in arrears, as this is shown by reference to the "individual accounts" on the Stockholders' Ledger.

The Stockholders' Ledger.

The books previously presented are those which show the accounts as between the Association and its members in the aggregate.

The book now to be explained is that which shows each separate account as it stands between the Association and the individual member.

The form of the book here given is ruled to suit an Association on the "Gross," "Net," or "Instalment Plan," and whether issuing its stock all of one date, or in periodical series.

The object aimed at is to combine clearness and simplicity with dispatch, and the saving of labor. Every experienced accountant knows that it is usual to sum the items posted in the Ledger, for the purpose of economizing time and space; reference being had to the Journal or Cash-Book for the items forming the entry when desired. With a Cash-Book of the form hereinbefore presented, each item, as paid by the stockholder on each separate month, appears in its appropriate column, and a reference to the Cash-Book will show what the sum entered as paid or due in the Stockholders' Ledger for any given month is composed of. If "dues," it will appear in the dues column of the Cash-Book, opposite the name of the particular stockholder whose account is under examination. If composed of dues and interest, the stockholder being a borrower, it will be composed of the total of these two items; and if under the Instalment Plan, the sum to be entered will be composed of the total sum formed by the month's payment of dues, interest, and premiums.

How to use the Book.

The width of the book, when open for use, is nineteen inches, and is ruled on each page to suit the fiscal year of the Association, as shown on the sample-page next following this explanation; the fiscal year in this case is supposed to commence in January. Commencing on the left-hand side is the column for the entry of the number of shares held by the stockholder; the next column receives the entry of the number of shares borrowed upon, if any. This entry also tells the amount of the loan with which the stockholder is charged, as effectually as if it were entered in exact figures; for every share borrowed upon represents a \$200 loan. The next column contains the name of the stockholder. The names of all the stockholders in each series being kept together, as shown on the sample-page; the list of stockholders in each series following each other through the book in the order in which the series are issued. In this case the two series here represented are entered on one page, for convenience of illustration, and to save space. Sometimes one series alone will contain two or three hundred names, and will occupy several pages.

The next column is to receive the total amount carried over from the previous year, or years, as the case may be. Next follow the twelve months of the fiscal year of the Association, with a double column for each month, one for debits, and the other for credits. Into the credit column, under the head of "*paid*," is posted from the Cash-Book

the total of dues and interest, (and premium, if a monthly payment.) And into the debtor column, under the head of "*due*," will be entered in the month on which it should have been paid, the total sum in arrears. (See entry to J. Thompson's account, in February column.) And in the next month, if the default still continues, the total amount for both months will be entered in the debtor side; and so on as long as the default continues, — a payment on account of arrears correspondingly decreasing the amount of arrears carried over. Thus the entries will continue through the fiscal year. At the close of the year the total of all the *dues* paid by each stockholder is entered in the column on the extreme right, under the head of "*amount carried over*," and the Stockholders' Ledger is closed. The amount thus last entered is carried over to the left-hand column of the next year's account, opposite the name of the stockholder, as it appears in the new list; and the work of the year just closed is repeated each succeeding year.

In the narrow column on the extreme right will be entered the number of the order on the Treasurer for the payment of money loaned, or dues withdrawn in each particular case, thus referring to the original entry for that particular item. Under the head of "Transfers and Withdrawals" in the blank space there provided, will be entered, in the form indicated on the sample page, the facts relating to transfers and withdrawals, with reference to the Order-Book, or Transfer-Book, as the case may be.

Thus a history of the transactions of each stockholder is set forth plainly, and the nature and condition of each account may be seen at a glance.

In case a stockholder wishes to withdraw or transfer his stock, his Pass-Book should be carefully compared with his account as spread upon this book, to see that they agree exactly.

The Ledger having thus been closed, the names of all the stockholders whose accounts have not been fully and completely cancelled, are carried over to the pages intended to contain the next year's entries, always keeping the stockholders of each series in a list together, and separate from those of all other series.

This mode of keeping the names of the stockholders in each series separate, is all the distinction that need to be made between the books of a terminating Association issuing its stock all of one date, and one issuing stock in periodical series, as under the Permanent Plan.

It is not necessary to have a more elaborate set of books to show forth the accounts of each stockholder. For the account of each non-borrowing stockholder owning one share in a given series, is the same exactly as that of all the other stockholders owning one share in that series; and as each share in a particular series is always equal in value to all other shares in the same series, subject to fines and arrears, it follows that it is only necessary to ascertain the value of one share at a given time, and multiply this by the number of shares in any one account, and the exact con-

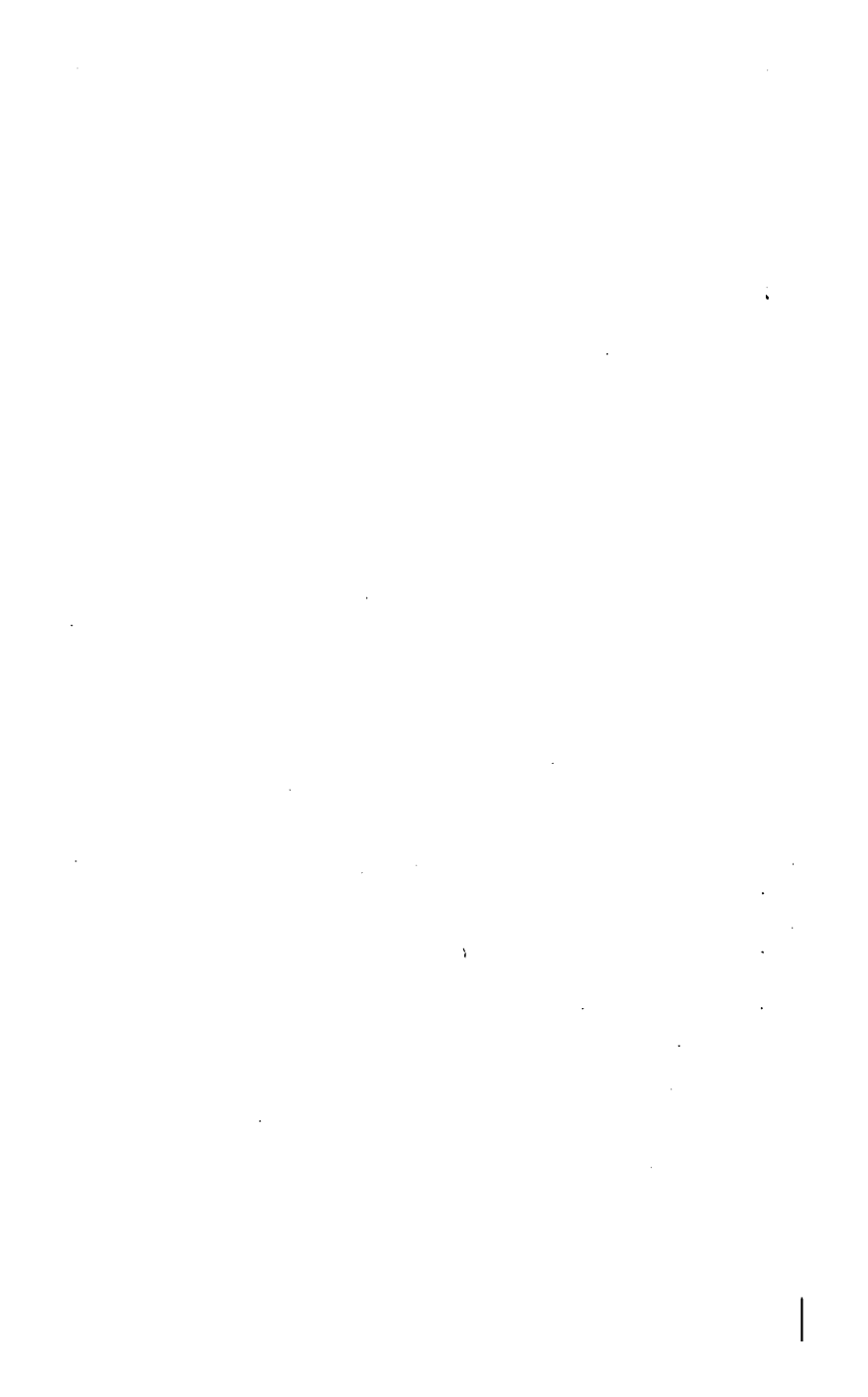
dition of that account will be the result, (subject to the charge of fines and arrearages that may appear against it.)

The same remarks apply to a borrowing member's account. The different series of stock are only one issue divided into classes, differing only as to date of birth, and in all other respects are subject to the same rules, the same restrictions, and are entitled to the same privileges that the class first issued is subject and entitled to. Therefore the Stockholders' Ledger need be but a gauge-book to tell of the promptness or delinquency of a member, and show when his account begins and ends, and to what class or "series" he belongs.

There is no occasion to complicate the entries in this book with the fines due and paid by a stockholder. The amount of fines chargeable at any one time will always appear by ascertaining the amount of arrears appearing in the account. And when the fines are paid they will always appear in the Cash-Book, opposite the name of the payer, at the date of payment.

The following is the form of the "Stockholders' Ledger" or "Roll-Book":







OLDER'S LEDGER OR ROLL BOOK

	MAY.		JUNE.		JULY.		AUGUST.		SEPTEMBER.		
aid.	Due.	Paid.	Due.	Paid.	Due.	Paid.	Due.	Paid.	Due.	Paid.	D
0 00		\$50 00		\$50 00		\$50 00		\$50 00		\$50 00	
9 00		79 00		79 00		79 00		79 00		79 00	
0 00		30 00		30 00		30 00		30 00			
5 00		120 00		120 00		120 00		124 00		124 00	
0 00		100 00		103 00		103 00		103 00		103 00	
0 00		28 00		28 00		28 00		28 00		28 00	
				90 00		19 00		19 00		19 00	
						50 00		50 00		50 00	
						25 00		25 00		25 00	
						15 00		15 00		15 00	
						10 00		10 00		20 00	

Directions for Transferring the Individual Accounts of Stockholders from the Old Books to the Stockholders' Ledger.

First write the names of all the stockholders in each series, if there is more than one issue, commencing with the oldest series, and keeping each series separate. Mark in the appropriate column opposite each name, the number of shares held by each stockholder, and the number borrowed upon or pledged for loans. Directly to the right of the stockholder's name, under the head of "Amount brought over," enter the total amount of dues paid to date. It is not necessary to carry over the amount of *Interest* or *Premiums* paid to date of Transfer. These items do not enter in this form into the valuation of Stock; while it is always necessary to show the amount of dues paid at a given time. In the column on the extreme right, under the head of "Number of Order," enter the number of the order for the payment of the money loaned. Each account will then contain all the facts exactly as though the book had been used from the commencement of the business.

It only remains to post the future payments in the column representing the months on which they were paid.

The Stockholders' Pass-Book.

The next book in order of explanation is the stockholders' "Pass-Book." This book is held by the stockholder. The Secretary, or Treasurer,

as the rules of the particular Association may require, enters the amount paid by the stockholder, designating each item, in its appropriate blank, carrying the total of all the items, if more than one, into the total column, and should in all cases be required to sign such entry in his official capacity.

Some Associations do not require this, but it is careless and uncertain. Stockholders should in all cases require the receipt for their payments to be signed by the officer entitled to receive them. This book generally has the Charter and By-laws printed in the first pages, and following these are the spaces allotted for the entry of the monthly payments of dues, interest, fines, &c., with a space for the receipting officer's name under each. The usual form being that given on the following pages, spaces being assigned for at least 10 years' time, or 120 separate months, commencing with the first month of the first fiscal year of the Association.

FORM OF PASS-BOOK UNDER GROSS AND NET PLAN.

DATE.	DUES.	INT'ST.	FINES.	TOTAL.
18				DOLLS. CTS.
JANUARY.				
<i>Received,</i>				
<i>Secretary.</i>				
18				DOLLS. CTS.
FEBRUARY.				
<i>Received,</i>				
<i>Secretary.</i>				
18				DOLLS. CTS.
MARCH.				
<i>Received,</i>				
<i>Secretary.</i>				
18				DOLLS. CTS.
APRIL.				
<i>Received,</i>				
<i>Secretary.</i>				
18				DOLLS. CTS.
MAY.				
<i>Received,</i>				
<i>Secretary.</i>				
18				DOLLS. CTS.
JUNE.				
<i>Received,</i>				
<i>Secretary.</i>				

PASS-BOOK ; INSTALMENT PLAN.

DATE.	DUES.	INT'ST.	PREM.	FINES.	TOTAL.
MARCH.					\$ CTS.
18					
<i>Received \$</i>					
<i>Secretary.</i>					
APRIL.					\$ CTS.
18					
<i>Received \$</i>					
<i>Secretary.</i>					
MAY.					\$ CTS.
18					
<i>Received \$</i>					
<i>Secretary.</i>					
JUNE.					\$ CTS.
18					
<i>Received \$</i>					
<i>Secretary.</i>					
JULY.					\$ CTS.
18					
<i>Received \$</i>					
<i>Secretary.</i>					
AUGUST.					\$ CTS.
18					
<i>Received \$</i>					
<i>Secretary.</i>					

The Certificate of Stock.

The following form represents the certificate of stock usually given to members on subscribing. The blanks in the margin, or duplicate, on the left hand being filled in the same manner as the blanks of the certificate are filled. The new member being required to sign at the foot of the margin, acknowledging the receipt of the certificate, and agreeing as therein set forth.

In addition to this signing, the new member should also sign the Charter and By-Laws.

The number of the particular series, and the date of the issue of the series, should be prominently named on both the margin and certificate, and also the date at which the certificate was granted should be entered on the margin.

Some Associations, however, do away with the Certificate-Book altogether, by having the certificate printed in the Pass-Book of the stockholder. This saves the expense of a Certificate-Book, and this fact is about all there is to recommend the plan. For in case one borrows, he is required to transfer his stock to the Association; this cannot be done when it is fast to and a part of his Pass-Book. Besides, this mode leaves no evidence over the signature of the stockholder of the issue of stock. There is, consequently, no check by which an over-issue of stock may be detected, like that supplied by the margins indicated in the form next following these remarks.

Philadelphia, _____ 187
 Received of the
 Workingman's Building
 Association,
 Certificate No. _____
 Delivered to [name of stock-
 holder],
 For _____ Shares of Stock
 of said Association, series _____
 Issued as of _____

Is. _____ SERIES No. _____ SHARES.
 Issued January _____

WORKINGMAN'S BUILDING ASSOCIATION.

This is to Certify, That _____
 is entitled to _____ Shares of the Capital or Joint
 Stock of the

"WORKINGMAN'S BUILDING ASSOCIATION"
 Of the City of Philadelphia,

Transferable in person or by Attorney in the presence of the
 President or Secretary of the Association.

 Secretary. President.

Each Share entitles the Holder to a loan of \$200.

And I do hereby bind and obligate my-
 self to pay punctually my monthly Dues,
 Interest, and Fines, and in all respects to
 comply with the requisitions of the Con-
 stitution and By-Laws, and the Rules and
 Regulations of the Board of Directors
 of said Association.

Transfer-Book.

This form is used for the purpose of transferring stock from one person to another. The form sufficiently explains itself.

It should be signed in the presence of the Secretary, by the person assigning the stock.

Workingman's Building Association.	<i>For a valuable consideration, I do hereby transfer and set over unto _____</i>
	<i>Shares,</i>
	<i>Series No. _____ of the WORKINGMAN'S BUILDING ASSOCIATION, of the City of Philadelphia, standing in my name as per Books of the Corporation, Nos. _____</i>
	<i>Witness my hand, this _____ day of _____ 18</i>
	Attest, _____ Secretary.

The Collateral Transfer-Book.

This form is used, as its language indicates, for the transfer of stock, to be held as security for a loan in conjunction with the Bond and Mortgage usually given. When the loan is to be secured entirely by stock of the Association, a bond and warrant only are given, and the words "*and Indenture of Mortgage,*" as they appear in the annexed form, in *italics*, may be stricken out, and noted; or a neater way would be to have at the same time with the other, a set of the forms printed with the words in *italics* omitted, and

bound in a separate book, to be used where the stock only of the Association is to be held as collateral.

KNOW ALL MEN BY THESE PRESENTS, *That I*,
 have assigned, transferred, and set
 over, and by these presents do assign, transfer, and set over,
 unto the WORKINGMAN'S BUILDING ASSOCIATION, their suc-
 cessors and assigns, all my right, title and interest, in
 share of the Capital or Joint Stock of the said Working-
 man's Building Association, as per Certificate No. series
 in trust that the said Association shall have and hold
 the same as collateral security for the payment of a certain
 debt of dollars for which
 I have this day executed to them a Bond and Warrant of
 Attorney (*and Indenture of Mortgage*), the value or amount
 realized from said stock, to be appropriated towards the pay-
 ment of any amount or sum in which I may be indebted to
 said Association, either on account of the principal of said
 (*mortgage*) debt, or for dues, interest, (*premiums,**) or fines,
 for which I now am or may hereafter become responsible to
 said Association.

Witness my hand and seal this day of
 in the year of our Lord one thousand eight hundred
 and

Sealed and delivered in presence of

[SEAL.]

Notice-Book.

Where an Association is liberal in its policy respecting the portion of profits allowed withdrawing stockholders, there will frequently be several stockholders at each meeting who desire to withdraw. To prevent them from disputing as to the order in which they are entitled to be paid out of the sum appropriated to that purpose,

* Inserted when used under Instalment Plan.

it is well to require them to sign a form of notice, which may be printed or written in a book kept for that purpose, to the following effect :

No. Philadelphia, 18

I hereby notify the Board of Directors of the WORKING-MAN'S BUILDING ASSOCIATION, of my wish to withdraw my shares of stock series of the said Association, agreeably to the terms and provisions of the second section of the Act of Assembly of the Commonwealth of Pennsylvania, passed the twelfth day of April, A.D. 1859, relating to Building Associations.

The second section of the Act of 1859 provides that "any stockholder wishing to withdraw from said corporation shall have power to do so by giving thirty days notice of his or her intention to withdraw, when he or she shall be entitled to receive the amount paid in by him or her, and such portion of the profits as the By-laws may determine, less all fines and other charges; *Provided*, that at no time shall more than one half of the funds in the Treasury be applicable to the demands of withdrawing stockholders, without the consent of the Board of Directors, and that no stockholder shall be entitled to withdraw whose stock is held in pledge for security."

It seems clear from this, that, although a stockholder gives thirty days' notice of an intention to withdraw, it is not imperative upon the Association to pay him within that time, unless one half of the funds in the Treasury are sufficient for that purpose, it being optional with the Directors to be more liberal. Hence it follows that he

must take his turn in the order in which his notice is given, (when an unusual pressure to withdraw warrants it,) notwithstanding his thirty days' notice have expired. Secretaries will find this a wonderfully convenient book, saving much dispute and misunderstanding between the stockholders and themselves.

The Real Estate Register.

This is a very important book, and should never be omitted. All that it contains should be written with the greatest care and exactness. The size of this book may be that of an ordinary five or six quire foolscap Blank-Book. There should be two indexes, one in the front, and the other at the back of the book, with a liberal allowance of pages for each letter of the alphabet, while between the two indexes there should be from one to two hundred blank pages. Upon these intermediate pages will be written: 1st, the name of the borrower, and the amount of the loan; 2d, the location and size of the property held as security; 3d, the amount of the prior incumbrance (if any), with the name of the Mortgagor, if subject to a mortgage, or the Covenantor in the ground-rent deed, if subject to a ground-rent.

The following form of entry is perhaps as convenient as any; the number of the loan being that of the original order on the Treasurer for the money granted.

- Loan No. 1. Borrower, A. Simpson, \$1000.00
 Premises North side of Vine Street,
 Fifteenth Ward, 100 feet East of
 Twentieth Street, 25 × 100 feet.
 John Smith, covenantor.
 Ground-rent, \$60. Due 1st of Jan-
 uary and July.
- Loan No. 3. Borrower, E. Jones, \$800.00
 Premises East side of Tenth Street,
 Thirteenth Ward, 175 feet South of
 Poplar Street, 18 × 90 feet.
 First Mortgagor, I. Thompson, \$1500
 Interest \$90, due 1st of May and
 November.

The names of borrowers, covenantors, and first mortgagors, or the name of a debtor under any other form of prior incumbrance, should be indexed in the front of the book, with the number of the loan with which they are connected. Thus:

Simpson, A. (B.) 1. (Signifying borrower.)
 Smith, John, (C.) 1. (Signifying covenantor.)
 Jones, E. (B.) 3.
 Thompson, I. (M.) 3. (Signifying mortgagor.)

The index at the back of the book should be used as a property index, each property being indexed under the name of the street on which it is located. Where a property fronts on several streets, each street should be indexed. Thus:

Vine Street, 1.
 Tenth Street, 3.

The Object and Use of this Book.

It is a complete list of all loans made, and affords a means of ready reference to them, and to the packages containing securities, each of which should bear the number of the loan upon the upper left-hand corner.

Its greatest value, however, consists in its being a check against loss to the Association, by reason of a Sheriff's sale, under a prior incumbrance, without warning, whereby the Association's second mortgage would be discharged.

In Philadelphia County the Sheriff is required by law to publish, in the *Legal Intelligencer* and *Legal Gazette*, a correct description of all property to be sold by him, with the name of the person for whose mortgage, covenant, or other debt it was seized. By comparing the Sheriff's monthly list of names and properties with those on the register, the person in charge of it can guard against loss in the manner above described.

In addition to this safeguard many Associations require borrowers to produce receipts in duplicate for interest and ground-rent, within thirty days after the same falls due, (one of which the Secretary files with the papers,) and enforce the performance of this duty by a proper clause in their mortgages. The penalty of neglect being foreclosure.

Form of Application of Borrower.

The borrowing member who desires to offer real estate security for a loan bid for, will fill up and sign the following application:

TO THE PRESIDENT AND BOARD OF DIRECTORS OF THE
WORKINGMAN'S BUILDING ASSOCIATION.

Gentlemen :

I desire to obtain a loan on
Shares of Stock of the Workingman's Building Association,
(Series) held by me. Said loan to be secured by my
Bond and Indenture of Mortgage for \$ upon
premises No. Street Ward.
The Lot is feet front, by feet deep.
The house has stories front, and stories
back buildings; contains rooms; also, gas, hot and
cold water, bath, heater, and range.
I value the premises at..... \$

The present incumbrance is as follows :

Ground rent of \$	Principal.....	\$
Mortgage, (having years to run).....		\$
Leaving a margin of.....		\$

The house rents for..... \$

It is assessed for taxes at..... \$

I propose to assign a Policy of Insurance for.....

The buildings have been erected

PHILADELPHIA,

18

N.B. — The buildings not having been erected six months,
I offer of by
occupation as security against liens.

The Board having received and considered the application, will (if they, or a majority of them, are not already sufficiently well acquainted with the premises described therein) appoint a committee of three to examine the property, with discretionary power either to accept the same as security for the loan in question, and report to the conveyancer or solicitor whom they thus authorize to proceed with the papers; (in this case the report will be presented to the Board for accept-

ance at the next stated meeting;) or they may be directed to report to the Board at an adjourned stated meeting, to be held a week or ten days later, for the purpose of receiving and considering the report. In the latter case the Board will accept the report, and either on motion reject the loan, or by resolution grant the same, and authorize the conveyancer or solicitor to proceed with the papers.

Form of Report of Committee on Loans.

PHILADELPHIA,

18

TO THE PRESIDENT AND BOARD OF DIRECTORS OF THE
WORKINGMAN'S BUILDING ASSOCIATION.

Gentlemen:

We, the undersigned Committee, appointed to examine the premises No. _____ Street, offered by

_____ as security for a loan of \$ _____
on _____ Shares of Stock, Series _____ held by him, re-
spectfully report that we have examined said premises, and
find the same to be as follows:

Size of lot	_____ feet front, by	_____ feet deep.
The house has	_____ stories front, and	_____ stories
	back building, contains	_____ rooms, also
gas, hot and cold water, bath, heater, and range.		

We value the house and lot at.....\$

Deduct present incumbrance \$

Leaving a margin of.....\$

Upon which, in our opinion, a loan of \$

Shares, can safely be made.

A Policy of Fire Insurance, of not less than \$
must accompany the mortgage.

N.B. — We do hereby approve of
security against liens.

COMMITTEE: {

The Conveyancer is instructed
further action of the Board.

to proceed without

Form of Bond—Gross and Instalment Plans.

KNOW ALL MEN BY THESE PRESENTS, that I, A. B., &c., am held and firmly bound unto "The Workingman's Building Association," located in, &c., in the sum of two thousand (2000) dollars lawful money of the United States of America, to be paid to the Workingman's Building Association aforesaid, their certain Attorney, Successors, or Assigns. To which payment, well and truly to be made, I do bind myself, my Heirs, Executors, and Administrators, and each and every of them, firmly by these presents. Sealed with my Seal. Dated the second day of February, in the year of our Lord one thousand eight hundred and seventy-two.

The condition of this obligation is such that if the above bounden A. B., his Heirs, Executors, and Administrators, or any of them, shall and do well and truly pay, or cause to be paid, unto the above-named Workingman's Building Association, their certain Attorney, Successors, or Assigns, the just sum of one thousand (1000) dollars, such as above said, at any time within ten years* from the date hereof, together with lawful interest, and together with all fines imposed by the Constitution and By-laws of the aforesaid Association, [*and a monthly premium of five dollars for the same,†*] in like money, payable monthly, on the second Monday of each and every month hereafter, and shall also well and truly pay, or cause to be paid, unto the Workingman's Building Association aforesaid, their Successors or Assigns, the sum of five (5) dollars on the said second Monday of each and every month hereafter, as and for the monthly contribution on five (5) shares of the capital stock of the Workingman's Building Association aforesaid, now owned by the said A. B., without any fraud or further delay.

* The length of time for which a Bond or Mortgage may be given should be regulated by the age of the stock to be pledged. If the stock belongs to a series just issued, ten years may be named as the period for repayment of the loan, the time of payment being decreased in the case of loans on older stock, by the number of years that have expired since the issue of the particular series.

† Employed in the Instalment form; omitted from the Gross form.

Provided, however, and it is hereby expressly agreed, that if at any time default shall be made in the payment of the said principal money when due, or of the said interest, or of the said fines, [or of the said monthly premium,] or the monthly contribution on said Stock, for the space of six months after any payment thereof shall fall due, or if the said A. B. shall not well and truly pay, or cause to be paid, the Ground Rent and taxes on the premises particularly described in the Mortgage accompanying this Obligation, when the same shall become due and payable, and also shall not well and truly pay, or cause to be paid, all and every such sum or sums as shall hereafter be assessed by any public authority (except any income tax) upon the said principal debt or sum, or upon the interest thereof, then and in such case, the whole principal debt aforesaid shall, at the option of The Workingman's Building Association aforesaid, their Successors and Assigns, immediately thereupon become due, payable, and recoverable, and payment of said principal sum, and all interest, and all fines, [and all monthly premiums,*] due thereon, as well as any contribution on said five (5) shares of Stock, then due, may be enforced and recovered at once, anything hereinbefore contained to the contrary thereof notwithstanding. And the said A. B., for himself, his Heirs, Executors, Administrators, and Assigns, hereby expressly waives and relinquishes unto the Workingman's Building Association aforesaid, their Successors and Assigns, all benefit that may accrue to him or them by virtue of any and every law, made or to be made, to exempt the premises described in the Indenture of Mortgage herewith given, or of any other premises whatever, from levy and sale under execution, or any part of the proceeds arising from the sale thereof, from the payment of the moneys hereby secured, or any part thereof, and the cost of such action and execution, then the above obligation to be void, or else to be and remain in full force and virtue.*

SEALED AND DELIVERED }
IN THE PRESENCE OF US, }

* Employed in the Instalment form ; omitted from the Gross form.

Form of Warrant of Attorney, Gross and Instalment Plans.

To *C. D.*, Esquire, Attorney of the Court of Common Pleas, at Philadelphia, in the County of Philadelphia, in the State of Pennsylvania, or to any other Attorney, or to the Prothonotary of the said Court, or of any other Court, there or elsewhere.

Whereas, A. B., of, &c., in and by a certain obligation, bearing even date herewith, doth stand bound unto the "Workingman's Building Association," located in, &c., in the sum of two thousand (2000) dollars lawful money of the United States of America, conditioned for the payment of the just sum of one thousand (1000) dollars, such as abovesaid, at any time within ten years from the date thereof, together with lawful interest, and together with all fines imposed by the Constitution and By-laws of the aforesaid Association, [*and a monthly premium of five dollars for the same,**] in like money, payable monthly, on the second Monday of each and every month thereafter, and should also well and truly pay, or cause to be paid, unto the Workingman's Building Association aforesaid, their Successors or Assigns, the sum of five (5) dollars on the second Monday of each and every month thereafter, as and for the monthly contribution on five (5) Shares of the Capital Stock of The Workingman's Building Association aforesaid, now owned by the said *A. B.*, without any fraud or further delay.

Provided, however, and it is thereby expressly agreed, that if at any time default should be made in the payment of the said principal money when due, or of the said interest, or of the said fines, [*or of the said monthly premium,**] or the monthly contribution on said stock, for the space of six months after any payment thereof should fall due, or if the said *A. B.* shall not well and truly pay, or cause to be paid, the ground-rent and taxes on the premises particularly described in the Mortgage accompanying this Obligation, when the same shall become due and payable, and also shall not well and truly pay, or cause to be paid, all and every such sum or sums as should thereafter be assessed by any public

* Employed in the Instalment form; omitted from the Gross form.

authority (except any income tax) upon the said principal debt or sum, or upon the interest thereof, then and in such case the whole principal debt aforesaid should, at the option of The Workingman's Building Association aforesaid, their Successors and Assigns, immediately thereupon become due, payable, and recoverable, and payment of said principal sum, and all interest, and all fines [*and all monthly premiums**] due thereon, as well as any contribution on said five (5) Shares of Stock then due, might be enforced and recovered at once, anything thereinbefore contained to the contrary thereof notwithstanding. And the said A. B., for himself, his Heirs, Executors, Administrators and Assigns, thereby expressly waived and relinquished unto The Workingman's Building Association aforesaid, their Successors and Assigns, all benefit that might accrue to him or them by virtue of any and every law, made or to be made, to exempt the premises described in the Indenture of Mortgage therewith given, or of any other premises whatever, from levy and sale under execution, or any part of the proceeds arising from the sale thereof, from the payment of the moneys thereby secured, or any part thereof.

These are to desire and authorize you, or any of you, to appear for me, my Heirs, Executors, or Administrators, in the said Court or elsewhere, in an Action of Debt, there or elsewhere brought or to be brought, against me, my Heirs, Executors, or Administrators, at the suit of the Workingman's Building Association aforesaid, their Successors or Assigns, on the said Obligation, as of any Term or Time past, present, or any other subsequent Term or Time, there or elsewhere to be held, and confess or enter Judgment thereupon against me, my Heirs, Executors, or Administrators, for the sum of Two Thousand (2000) dollars lawful money of the United States of America, Debt, besides costs of suit, by *Non sum informatus, Nihil dicit*, or otherwise, as to you shall seem meet; and for your or any of your so doing this shall be your sufficient Warrant. And I do hereby, for myself, my Heirs, Executors, and Administrators, remise, release, and forever quit claim to The Workingman's Build-

* En played in the Instalment form; omitted from the Gross form.

ing Association aforesaid, their certain Attorney, Successors, and Assigns, all and all manner of Error and Errors, Misprisions, Misentries, Defects, and Imperfections whatever, in the entering of the said Judgment, or any Process or Proceedings thereon or thereto, or anywise touching or concerning the same.

In witness whereof, I have hereunto set my Hand and Seal, the second day of February, in the year of our Lord one thousand eight hundred and seventy-two.

SEALED AND DELIVERED }
IN THE PRESENCE OF US, }

Form of Mortgage—Gross and Instalment Plans.

THIS INDENTURE, made the second day of February, in the year of our Lord one thousand eight hundred and seventy-two, between *A. B.*, of, &c., of the one part, and the "Workingman's Building Association," located in, &c., of the other part.

Whereas, the said *A. B.*, in and by a certain obligation or writing obligatory under his hand and seal, duly executed, bearing even date herewith, stands firmly bound unto the Workingman's Building Association aforesaid, in the sum of two thousand (2000) dollars lawful money of the United States of America, conditioned for the payment of the just sum of one thousand (1000) dollars, at any time within ten years from the date thereof, together with lawful interest, and together with all fines imposed by the Constitution and By-Laws of the aforesaid Association, [*and a monthly premium of five dollars for the same,**] in like money, payable monthly, on the second Monday of each and every month thereafter, and should also well and truly pay, or cause to be paid, unto the Workingman's Building Association aforesaid, their Successors and Assigns, the sum of five (5) dollars on the said second Monday of each and every month thereafter, as and for the monthly contribution on five (5) Shares of the Capital Stock of the Workingman's Building Association aforesaid, now owned by the said *A. B.*, without any fraud or further delay.

* Employed in the Instalment form; omitted from the Gross form.

Provided, however, and it is thereby expressly agreed, that if at any time default should be made in the payment of the said principal money when due, or of the said interest, or of the said fines, [*or of the said monthly premium,**] or the monthly contribution on said Stock, for the space of six months after any payment thereof should fall due, or if the said *A. B.* should not well and truly pay, or cause to be paid, the ground-rent and taxes, on the hereinafter described premises, when the same should become due and payable, and also should not well and truly pay, or cause to be paid, all and every such sum or sums as should thereafter be assessed by any public authority (except any income tax) upon the said principal debt or sum, or upon the interest thereof, then and in such case the whole principal debt aforesaid should, at the option of the Workingman's Building Association aforesaid, their Successors and Assigns, immediately thereupon become due, payable, and recoverable, and payment of said principal sum, and all interest, and all fines thereon, [*and monthly premiums due,**] as well as any contribution on said five (5) Shares of Stock then due, may be enforced and recovered at once, anything thereinbefore contained to the contrary thereof notwithstanding. And the said *A. B.*, for himself, his Heirs, Executors, Administrators, and Assigns, thereby expressly waived and relinquished unto the Workingman's Building Association aforesaid, their Successors and Assigns, all benefit that might accrue to him or them by virtue of any and every law made, or to be made, exempting the premises hereinafter described, or of any other premises whatever, from levy and sale under execution, or any part of the proceeds arising from the sale thereof, from the payment of the moneys thereby secured, or any part thereof, and the cost of such action and execution, as in and by the said above recited obligation and the condition thereof, relation being thereunto had, may more fully and at large appear.

Now this In lenture witnesseth, that the said *A. B.*, as well for and in consideration of the premises, as of the aforesaid debt or principal sum of one thousand (1000) dollars, and

* Employed in the Instalment form ; omitted from the Gross form.

for the better securing the payment of the same with interest, together with all fines, [*and together with the monthly premium of five dollars,**] and together with the monthly contribution of five (5) dollars on the said five (5) Shares of Stock owned by the said A. B., unto the Workingman's Building Association aforesaid, their Successors and Assigns, in discharge of the said above recited obligation, as of the further sum of one dollar, lawful money, unto him in hand well and truly paid by the Workingman's Building Association aforesaid, at the time of the execution hereof, the receipt whereof is hereby acknowledged, hath granted, bargained, sold, aliened, enfeoffed, released, and confirmed, and by these presents doth grant, bargain, sell, alien, enfeoff, release, and confirm unto the Workingman's Building Association aforesaid, their Successors and Assigns [here describe premises.]

Together with all and singular the Buildings, Streets, Alleys, Passages, Ways, Waters, Water-courses, Rights, Liberties, Privileges, Improvements, Hereditaments, and Appurtenances whatsoever thereunto belonging, or in any wise appertaining, and the Reversions and Remainders, Rents, Issues, and Profits thereof.

To have and to hold the said Messuage or Tenement, and lot or piece of ground above described, Hereditaments and Premises hereby granted, or mentioned and intended so to be, with the Appurtenances, unto the Workingman's Building Association aforesaid, their Successors and Assigns, to and for the only proper use and behoof of the Workingman's Building Association aforesaid, their Successors and Assigns forever.

Provided always, nevertheless, that if the said A. B., his Heirs, Executors, Administrators, or Assigns, do and shall well and truly pay, or cause to be paid, unto the Workingman's Building Association aforesaid, their Successors or Assigns, the aforesaid debt or principal sum of one thousand (1000) dollars, together with lawful interest, and together with the fines [*and the monthly premium aforesaid **], on the days and times hereinbefore mentioned and appointed for payment of the same; and shall also well and truly pay, or cause to be paid, to the Workingman's Building Association

* Employed in the Instalment form; omitted from the Gross form.

aforesaid, their Successors or Assigns, the above-mentioned sum of five (5) dollars on the second Monday of every month, as and for the contribution on the said five (5) Shares of Stock as above mentioned, according to the condition of the said above-recited obligation, without any fraud or further delay, and without any deduction, defalcation, or abatement, to be made of anything, for or in respect of any taxes, charges, or assessments whatsoever, that then, and from thenceforth, as well this present Indenture, and the Estate hereby granted, as the said above recited obligation shall cease, determine, and become void, anything hereinbefore contained to the contrary thereof in any wise notwithstanding. *Provided, further*, in case of default in the payment of the principal, interest, or fines, [*and the monthly premiums,**] as aforesaid, or any part thereof, or in default of the payment of the monthly contribution on the said five (5) Shares of Stock, as above particularly recited and mentioned, or any part thereof, for the space of six months after any payment thereof shall fall due, or if the said *A. B.* shall not well and truly pay, or cause to be paid, the ground-rent and taxes on the above described premises, when the same shall become due and payable, and also shall not well and truly pay, or cause to be paid, all and every such sum or sums as shall hereafter be assessed by any public authority (except any income tax) upon the said principal debt or sum, or upon the interest thereof, then and in such case the whole principal debt aforesaid shall immediately thereupon become due, payable, and recoverable; and it shall and may be lawful for the Workingman's Building Association aforesaid, their Successors or Assigns, to sue out forthwith a Writ of *Scire Facias* upon this present Indenture of Mortgage, and to proceed at once thereon to recover the principal money hereby secured, and all interest and all fines, [*and all monthly premiums,**] thereon, as well as any contribution on said five (5) Shares of Stock then due, according to law, without further stay, any law or usage to the contrary notwithstanding. And the said *A. B.*, for himself, his Heirs, Executors, Administrators, and Assigns, hereby waives and relinquishes

* Employed in the Instalment form; omitted from the Gross form.

unto the Workingman's Building Association aforesaid, their Successors and Assigns, all benefit that may accrue to him or them by virtue of any and every law made, or to be made, to exempt the said above-described premises from levy and sale under execution, or any part of the proceeds arising from the sale thereof, from the payment of the moneys hereby secured, or any part thereof.

In witness whereof, the said Parties to these Presents have hereunto interchangeably set their hands and seals. Dated the day and year first above written.

SEALED AND DELIVERED }
IN THE PRESENCE OF US, }

Form of Bond—Net Plan.

KNOW ALL MEN BY THESE PRESENTS, That I, *A. B.*, of, &c., am held and firmly bound unto the "Workingman's Building Association," located in, &c., in the sum of two thousand (2000) dollars lawful money of the United States of America, to be paid to the Workingman's Building Association aforesaid, their certain Attorney, Successors, or Assigns. To which payment well and truly to be made, I do bind myself, my Heirs, Executors, and Administrators, and each and every of them firmly, by these presents. Sealed with my Seal. Dated the twenty-fourth day of January, in the year of our Lord, one thousand eight hundred and seventy-two.

The Condition of this Obligation is such, That if the above bounden *A. B.*, his Heirs, Executors, and Administrators, or any of them, shall and do well and truly pay, or cause to be paid, unto the above-named Workingman's Building Association, their certain Attorney, Successors, or Assigns, the just sum of one thousand (1000) dollars, such as abovesaid, at any time within ten years from the date hereof, together with lawful interest on the sum of seven hundred and fifty dollars lawful money, as aforesaid, (it being thereby expressly understood and agreed that interest shall accrue and be chargeable on no more than seven hundred and fifty dollars of the said above-mentioned principal sum of one thousand dollars, and that no interest shall accrue or be charged upon the balance of said principal sum, said balance being two

hundred and fifty dollars,) and together with all fines imposed by the Constitution and By-Laws of the aforesaid Association, in like money, payable monthly, on the second Monday of each and every month hereafter, and shall also well and truly pay, or cause to be paid, unto the Workingman's Building Association aforesaid, their Successors or Assigns, the sum of five dollars on the said second Monday of each and every month hereafter, as and for the monthly contribution on five (5) Shares of the Capital Stock of the Workingman's Building Association aforesaid, now owned by the said A. B., without any fraud or further delay.

Provided, however, and it is hereby expressly agreed, that if at any time default shall be made in the payment of the said principal money when due, or of the said interest payable as aforesaid, or of the said fines, or the monthly contribution on said Stock, for the space of six months after any payment thereof shall fall due, or if the said A. B. shall not well and truly pay, or cause to be paid, the ground-rent and taxes, on the premises particularly described in the Mortgage accompanying this Obligation, when the same shall become due and payable, and also shall not well and truly pay, or cause to be paid, all and every such sum or sums as shall hereafter be assessed by any public authority (except any income tax) upon the said principal debt or sum, or upon the interest thereof, then and in such case, the whole principal debt aforesaid shall, at the option of the Workingman's Building Association aforesaid, their Successors and Assigns, immediately thereupon become due, payable and recoverable, and payment of said principal sum, and all interest, and all fines thereon, as well as any contribution on said five (5) Shares of Stock, then due, may be enforced and recovered at once, anything hereinbefore contained to the contrary thereof notwithstanding. And the said A. B., for himself, his Heirs, Executors, Administrators, and Assigns, hereby expressly waives and relinquishes unto the Workingman's Building Association aforesaid, their Successors and Assigns, all benefit that may accrue to him or them by virtue of any and every law, made or to be made, to exempt the premises described in the Indenture of Mortgage herewith given, or of any other premises whatever, from levy and sale under execution, or any part of the proceeds arising from the sale

thereof, from the payment of the moneys hereby secured, or any part thereof, and the cost of such action and execution, then the above Obligation to be void, or else to be and remain in full force and virtue.

SEALED AND DELIVERED }
IN THE PRESENCE OF US, }

Form of Warrant of Attorney — Net Plan.

To *C. D.*, Esquire, Attorney of the Court of Common Pleas, at Philadelphia, in the County of Philadelphia, in the State of Pennsylvania, or to any other Attorney, or to the Prothonotary of the said Court, or of any other Court, there or elsewhere.

Whereas, *A. B.*, of, &c., in and by a certain obligation, bearing even date herewith, doth stand bound unto the "Workingman's Building Association," located in, &c., in the sum of two thousand (2000) dollars lawful money of the United States of America, conditioned for the payment of the just sum of one thousand (1000) dollars such as aforesaid, at any time within ten years from the date thereof, together with lawful interest on the sum of seven hundred and fifty dollars, lawful money as aforesaid, (it being thereby expressly understood and agreed that interest should accrue and be chargeable on no more than seven hundred and fifty dollars of the said above-mentioned principal sum of one thousand dollars, and that no interest should accrue or be charged upon the balance of said principal sum, said balance being two hundred and fifty dollars,) and together with all fines imposed by the Constitution and By-laws of the aforesaid Association, in like money, payable monthly, on the second Monday of each and every month thereafter, and should also well and truly pay, or cause to be paid, unto the Workingman's Building Association aforesaid, their Successors or Assigns, the sum of five (5) dollars on the second Monday of each and every month thereafter, as and for the monthly contribution on five (5) Shares of the Capital Stock of the Workingman's Building Association aforesaid, now owned by the said *A. B.*, without any fraud or further delay.

Provided, however, and it is thereby expressly agreed, that if at any time default should be made in the payment of

the said principal money when due, or of the said interest, payable as aforesaid, or of the said fines, or the monthly contribution on said Stock, for the space of six months after any payment thereof shall fall due, or if the said *A. B.* should not well and truly pay, or cause to be paid, the ground-rent and taxes, on the premises particularly described in the Mortgage accompanying said Obligation, when the same shall become due and payable, and also should not well and truly pay, or cause to be paid, all and every such sum or sums as should thereafter be assessed by any public authority (except any income tax) upon the said principal debt or sum, or upon the interest thereof, then and in such case the whole principal debt aforesaid should, at the option of the Workingman's Building Association aforesaid, their Successors and Assigns, immediately thereupon become due, payable, and recoverable, and payment of said principal sum, and all interest, and all fines thereon, as well as any contribution on said five (5) Shares of Stock then due, might be enforced and recovered at once, anything thereinbefore contained to the contrary thereof notwithstanding. And the said *A. B.*, for himself, his Heirs, Executors, Administrators, and Assigns, thereby expressly waived and relinquished unto the Workingman's Building Association aforesaid, their Successors and Assigns, all benefit that might accrue to him or them by virtue of any and every law, made or to be made, to exempt the premises described in the Indenture of Mortgage therewith given, or of any other premises whatever, from levy and sale under execution, or any part of the proceeds arising from the sale thereof, from the payment of the moneys thereby secured, or any part thereof.

These are to desire and authorize you, or any of you, to appear for me, my Heirs, Executors, or Administrators, in the said Court or elsewhere, in an Action of Debt, there or elsewhere brought or to be brought, against me, my Heirs, Executors, or Administrators, at the suit of the Workingman's Building Association aforesaid, their Successors or Assigns, on the said Obligation, as of any Term or Time past, present, or any other subsequent Term or Time, there or elsewhere to be held, and confess or enter Judgment thereupon against me, my Heirs, Executors, or Administrators, for the sum of two thousand (2000) dollars lawful

money of the United States of America, Debt, besides costs of suit, by *Non sum informatus, Nihil dicit*, or otherwise, as to you shall seem meet: and for your or any of your so doing this shall be your sufficient Warrant. And I do hereby, for myself, my Heirs, Executors, and Administrators, remise, release, and forever quit claim unto the Workingman's Building Association aforesaid, their certain Attorney, Successors, and Assigns, all and all manner of Error and Errors, Misprisions, Misentries, Defects, and Imperfections whatever, in the entering of the said Judgment, or any Process or Proceedings thereon or thereto, or any wise touching or concerning the same.

In witness whereof, I have hereunto set my Hand and Seal, the twenty-fourth day of January, in the year of our Lord one thousand eight hundred and seventy-two.

SEALED AND DELIVERED }
IN THE PRESENCE OF US, }

Form of Mortgage—Net Plan.

THIS INDENTURE, made the twenty-fourth day of January, in the year of our Lord one thousand eight hundred and seventy-two, between A. B., of, &c., of the one part, and the "Workingman's Building Association," located in, &c., of the other part.

Whereas, the said A. B., in and by a certain Obligation or Writing obligatory under his hand and seal duly executed, bearing even date herewith, stands firmly bound unto the Workingman's Building Association aforesaid, in the sum of two thousand (2000) dollars lawful money of the United States of America, conditioned for the payment of the just sum of one thousand (1000) dollars at any time within ten years from the date thereof, together with lawful interest on the sum of seven hundred and fifty dollars lawful money as aforesaid, (it being thereby expressly understood and agreed that interest should accrue and be chargeable on no more than seven hundred and fifty dollars of the said above-mentioned principal sum of one thousand dollars, and that no interest should accrue or be charged upon the balance of said principal sum, said balance being two hundred and fifty dollars,) and together with all fines

imposed by the Constitution and By-Laws of the aforesaid Association, in like money, payable monthly, on the second Monday of each and every month thereafter, and should also well and truly pay, or cause to be paid, unto the Workingman's Building Association aforesaid, their Successors and Assigns, the sum of five (5) dollars on the said second Monday of each and every month thereafter, as and for the monthly contribution on five (5) Shares of the Capital Stock of the Workingman's Building Association aforesaid, now owned by the said *A. B.*, without any fraud or further delay.

Provided, however, and it is thereby expressly agreed, that if at any time default should be made in the payment of the said principal money when due, or of the said interest, payable aforesaid, or of the said fines, or the monthly contribution on said Stock, for the space of six months after any payment thereof should fall due, or if the said *A. B.* should not well and truly pay, or cause to be paid, the Ground Rent and taxes, on the hereinafter described premises, when the same should become due and payable, and also should not well and truly pay, or cause to be paid, all and every such sum or sums as should thereafter be assessed by any public authority (except any income tax) upon the said principal debt or sum, or upon the interest thereof, then and in such case the whole principal debt aforesaid should, at the option of the Workingman's Building Association aforesaid, their Successors and Assigns, immediately thereupon become due, payable and recoverable, and payment of said principal sum, and all interest, and all fines thereon, as well as any contribution on said five (5) Shares of Stock then due, might be enforced and recovered at once, anything thereinbefore contained to the contrary thereof notwithstanding. And the said *A. B.*, for himself, his Heirs, Executors, Administrators, and Assigns, thereby expressly waived and relinquished unto the Workingman's Building Association aforesaid, their Successors and Assigns, all benefit that might accrue to him or them by virtue of any and every law made or to be made exempting the premises hereinafter described, or of any other premises whatever, from levy and sale under execution, or any part of the proceeds arising from the sale thereof, from the payment of the moneys thereby secured, or any part thereof, and the cost of such

action and execution, as in and by the said above recited Obligation and the Condition thereof, relation being thereunto had, may more fully and at large appear.

Now this Indenture witnesseth, that the said *A. B.*, as well for and in consideration of the premises, as of the aforesaid debt or principal sum of one thousand (1000) dollars, and for the better securing the payment of the same with interest on the sum of seven hundred and fifty dollars, as aforesaid, together with all fines, and together with the monthly contribution of five (5) dollars on the said five (5) Shares of Stock owned by the said *A. B.* unto the Workingman's Building Association aforesaid, their Successors and Assigns, in discharge of the above recited Obligation, as of the further sum of One Dollar, lawful money, unto him in hand well and truly paid by the Workingman's Building Association aforesaid, at the time of the execution hereof, the receipt whereof is hereby acknowledged, hath granted, bargained, sold, aliened, enfeoffed, released, and confirmed, and by these presents doth grant, bargain, sell, alien, enfeoff, release, and confirm unto the Workingman's Building Association aforesaid, their Successors and Assigns [here describe premises.] *Together* with all and singular the Buildings, Streets, Alleys, Passages, Ways, Waters, Watercourses, Rights, Liberties, Privileges, Improvements, Hereditaments, and Appurtenances whatsoever thereunto belonging, or in any wise appertaining, and the Reversions and Remainders, Rents, Issues and Profits thereof.

To have and to hold the said above described Lot or piece of ground, with the Messuage or Tenement thereon erected, Hereditaments and Premises hereby granted, or mentioned and intended so to be, with the Appurtenances, unto the Workingman's Building Association aforesaid, their Successors and Assigns, to and for the only proper use and behoof of the Workingman's Building Association aforesaid, their Successors and Assigns forever.

Provided always, nevertheless, that if the said *A. B.*, his Heirs, Executors, Administrators, or Assigns, do and shall well and truly pay, or cause to be paid, unto the Workingman's Building Association aforesaid, their Successors or Assigns, the aforesaid debt or principal sum of One Thousand (1000) dollars, together with lawful interest as afore-

said, and together with the fines aforesaid, on the days and times hereinbefore mentioned and appointed for the payment of the same; and shall also well and truly pay, or cause to be paid, to the Workingman's Building Association aforesaid, their Successors or Assigns, the above-mentioned sum of five (5) dollars on the second Monday of every month, as and for the contribution on the said five (5) Shares of Stock as above mentioned, according to the condition of the said above recited obligation, without any fraud or further delay, and without any deduction, defalcation, or abatement to be made of anything, for or in respect of any taxes, charges, or assessments whatsoever, that then, and from thenceforth, as well this present *Indenture*, and the Estate hereby granted, as the said above recited Obligation, shall cease, determine, and become void, anything hereinbefore contained to the contrary thereof, in any wise notwithstanding.

Provided, further, in case of default in the payment of the principal, interest, or fines as aforesaid, or any part thereof, or in default of the payment of the monthly contribution on the said five (5) Shares of Stock, as above particularly recited and mentioned, or any part thereof, for the space of six months after any payment thereof shall fall due, or if the said A. B. shall not well and truly pay, or cause to be paid, the ground-rent and taxes, on the above described premises, when the same shall become due and payable, and also shall not well and truly pay, or cause to be paid, all and every such sum or sums as shall hereafter be assessed by any public authority (except any income tax) upon the said principal sum or debt, or upon the interest thereof, then and in such case the whole principal debt aforesaid shall immediately thereupon become due, payable, and recoverable; and it shall and may be lawful for the Workingman's Building Association aforesaid, their Successors or Assigns, to sue out forthwith a Writ of *Scire Facias* upon this present Indenture of Mortgage, and to proceed at once thereon to recover the principal money hereby secured, and all interest and all fines thereon, as well as any contribution on said five (5) Shares of Stock then due, according to law, without further stay, any law or usage to the contrary notwithstanding. And the said A. B., for himself, his Heirs,

Executors, Administrators, and Assigns, hereby waives and relinquishes unto the Workingman's Building Association aforesaid, their Successors and Assigns, all benefit that may accrue to him or them by virtue of any and every law made or to be made to exempt the said above described premises from levy and sale under execution, or any part of the proceeds arising from the sale thereof, from the payment of the moneys hereby secured, or any part thereof.

In witness whereof, the said Parties to these Presents have hereunto interchangeably set their hands and seals. Dated the day and year first above written.

SEALED AND DELIVERED }
IN THE PRESENCE OF US, }

APPENDIX.

ACT OF ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA,

Approved the 12th Day of April, A. D. 1859.

Entitled, An Act to confer on certain Associations of the citizens of this Commonwealth, the powers and immunities of corporations and bodies politic in law, and to confirm charters heretofore granted.

**Incor-
pora-
tion of
Mutual
Saving
Fund,
Loan
and
Build-
ing As-
sociations.**

Sec. 1. At any time when ten or more persons may desire to form a Mutual Saving Fund, Loan or Building Association, under the provisions of this Act, they shall make application to the Court of Common Pleas of the proper County, in the manner and at such times as are prescribed by the 13th Section of an Act passed the 13th day of October, in the year of our Lord, 1840, entitled, "An Act relating to Orphans' Courts, and for other purposes;" and upon compliance with the provisions of the said Section of said Act, the said Court shall be and hereby is fully empowered to grant acts or Charters of Incorporation to said Associations; and the 13th, 14th, and 15th Sections of the aforesaid Act of Assembly are hereby extended to and made a part of this Act, with regard to said Associations, Corporations or bodies politic in law: *Provided*, that no charter granted under or by virtue of the provisions of this Act, be for a longer period than Twenty years.

**Capital
Stock.** *Sec. 2.* The capital stock of any corporation created by virtue of this Act, shall at no time consist of more

than Two thousand Five hundred shares, of Two hundred dollars each, the instalments on which stock are to be paid at such time and place as the By-Law shall appoint; no periodical payment to be made exceeding Two dollars on each share, every share of stock shall be subject to a lien for the payment of unpaid instalments and other charges incurred thereon, under the provisions of the charter and By-Law, and the By-Law may prescribe the form and manner of enforcing such lien. New shares of stock may be issued in lieu of the shares withdrawn or forfeited, the stock may be issued in one or in successive series, in such amount as the Board of Directors or the stockholders may determine, and any stockholder wishing to withdraw from the said corporation shall have power to do so, by giving thirty days notice of his or her intention to withdraw, when he or she shall be entitled to receive the amount paid in by him or her, and such proportion of the profits as the By-Laws may determine, less all fines and other charges: *Provided*, that at no time shall more than one-half of the funds in the treasury of the corporation be applicable to the demands of withdrawing stockholders, without the consent of the Board of Directors, and that no stockholder shall be entitled to withdraw whose stock is held in pledge for security. Upon the death of a stockholder, his or her legal representative shall be entitled to receive the full amount paid in by him or her, and legal interest thereon, first deducting all charges that may be due on the stock; no fines shall be charged to a deceased member's account from and after his or her decease, unless the legal representatives of such decedent assume the future payments on the stock.

Unpaid
instal-
ments
to be a
lien.

With-
drawal
of
Stock-
holders.

Rights
of per-
sonal
representa-
tives.

Sec. 3. The number, titles, functions and compensation of the Officers of any corporation created by virtue of this Act, their terms of office, the times of their elections, as well as the qualifications of electors, and the ratio and manner of voting, and the periodical meetings of the said corporation, shall be determined by the By-Laws.

Officers

Sec. 4. The said Officers shall hold stated meetings,

APPENDIX.

Disposal of the Funds.

Loans to stockholders.

at which the money in the treasury, if over Two hundred dollars, shall be offered for loan in open meeting and the stockholder who shall bid the highest premium for the preference or priority of loan, shall be entitled to receive a loan of Two hundred dollars or more for each share of stock held by such stockholder: *Provided* that a stockholder may borrow such fractional part of Two hundred dollars as the By-Laws may provide and good and ample security shall be given by the borrower to secure the repayment of the loan. In case the borrower shall neglect to offer security, or shall offer security that is not approved by the Board of Directors by such time as the By-Law may prescribe, he or she shall be charged with one month's interest, together with any expenses incurred, and the money shall be resold at the next stated meeting. In case of non-payment of instalments or interest by borrowing stockholders for the space of six months, payment of principal and interest, without deducting the premium paid or interest thereon, may be enforced by proceeding on their securities according to law.

Repayment of Loans.

Proceedings on recovery by legal process.

Sec. 5. A borrower may repay a loan at any time, and in case of the repayment thereof before the expiration of the eighth year after the organization of the corporation, there shall be refunded to such borrower one-eighth of the premium paid, for every year of the said eight years then unexpired; and in case of recovery of loans by process of law, when the amount collected by or distributed to the said corporation shall exceed the amount of loan taken by the borrower, with interest and charges, the money shall be re-loaned at the next stated meeting, and the excess recovered beyond the amount required to pay the loan, with interest and charges, shall be returned to the borrower from whom the money was collected, or his or her legal representatives: *Provided*, that in case the said corporation shall have issued its stock in series, such re-loan shall be made only to the stockholders of the same series; and *Provided*, that, if the premium offered for the re-loan shall be greater than that originally given by the defaulting borrower, the amount of

the original premium only shall be paid over by the said corporation; and *Provided*, that such defaulting borrower may at any time after the said re-lending demand from said corporation the amount required to be paid to a stockholder withdrawing his stock, saving the excepting, however, to the said corporation, the right to retain so much or the whole thereof, as may be requisite to save it from loss, in case the amount recovered shall not suffice to pay the re-loan.

Sec. 6. No premiums, fines or interest on such premiums, that may accrue to the said corporation, according to the provisions of this Act, shall be deemed usurious; and the same may be collected as debts of like amount are now by law collected in this Commonwealth.

Premium,
fines
and
interest
to be
recoverable.

Sec. 7. No corporation or association created under this Act, shall cease or expire from neglect on the part of the corporations to elect Officers at the time mentioned in their charter or By-Laws; and all Officers elected by such corporation shall hold their offices until their successors are duly elected.

Corporation
not to
be dissolved
by
omission
to elect
officers.

Sec. 8. The charters of incorporation heretofore granted by the Courts of Common Pleas of the several Counties of the Commonwealth, to Mutual Saving Fund, Loan, Land and Building Associations, under the authority of the Act of April, 1850, entitled, "A Supplement to an Act entitled, An Act to prevent waste in certain cases within this Commonwealth," passed the 29th day of March, 1822, to Land and Building Associations, giving the Court of Susquehanna County jurisdiction in a certain case; relative to the service of process in certain cases; to party walls in West Philadelphia; to the proof of certain will; to the sale and purchase of certain Burial grounds in Philadelphia; to the laying of gas pipe in the District of Moyamensing; to the release of certain sureties in Erie County; to the State Lunatic hospital; relative to the service of process against Sheriffs; to the rights of married women; to ground rents; and relating to Foreign Insurance Companies, and its supplements, are hereby declared to be legal and valid. And it is

Former
charters
to be
valid.

hereby declared that the true intent and meaning of the said Acts was to authorize the incorporation of Companies or Associations with power to loan or advance to the stockholders thereof the moneys accumulated from time to time, and to secure the repayment of such moneys, and the performance of the other conditions upon which said loans were made, by bond and mortgage or other security, as well as with power to purchase or erect houses for the benefit of their stockholders, and that the premiums taken by the said Associations, for the preference or priority of such loans, should not be deemed usurious: *Provided*, that nothing herein contained shall be construed to affect cases adjudicated under the said Acts, or shall be applied to or construed to affect any cause or suit now brought, or that may be pending in any Court in this Commonwealth; nor shall any suit be permitted to be discontinued and renewed, so as to come within the provisions of this Act; *and Provided, further*, that in case of non-payment of instalments or interest, by borrowing stockholders, for six months, payment of principal and interest, without deducting the premium paid or interest thereon, may be enforced by proceeding on their securities according to law; and the amount collected shall be applied as directed by Section five of this Act, unless the charter or By-Laws of said corporation otherwise provide.

Pending suits not to be affected.

Power to hold real and personal property.

Sec. 9. Any Savings Fund, Loan or Building Association incorporated by or under this or any other Act or Acts of Assembly of this Commonwealth, is hereby authorized and empowered, to purchase at any Sheriff's or other Judicial sale, or at any other sale, public or private, any real estate upon which such Association may have or hold any mortgage, judgment, lien or other incumbrance, or ground rent, or in which said Association may have an interest; and the real estate so purchased, or any other that such Association may hold or be entitled to at the passage of this Act, to sell, convey, lease or mortgage at pleasure, to any person or persons whatsoever; and all sales of real estate heretofore made by such Associations, to any

person or persons not members of the Association so selling, are hereby confirmed and made valid.

Sec. 10. All Mortgages heretofore given to Mutual Saving Fund, Loan and Building Associations, by their corporate names, before they obtained their charters from the proper Courts, be and the same are hereby declared good and valid, to all intents and purposes, as though they had been made after the said charters were obtained.

Mortgages already given to be valid.

NOTE.— *On the following pages will be found the general and special provisions of the Act of the Legislature of Pennsylvania, passed April 29th, 1874, in so far as they are applicable to Building Associations. Those sections and clauses of the Act which apply exclusively to other forms of Corporations are omitted.*

Following the law will be found directions for organizing Building Associations, and obtaining charters in accordance with its provisions.

AN ACT

To Provide for the Incorporation and Regulation of certain Corporations. Passed April 29th, 1874.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania, in General Assembly met, and it is hereby enacted by the authority of the same,* That corporations may be formed under the provisions of this act by the voluntary associations of five or more persons, for the purposes, and in the manner mentioned herein, and when so formed, each of them by virtue of its existence as such, shall have the following powers, unless otherwise specially provided:

First. To have succession by its corporate name for the period limited by its charter, and when no period is limited thereby, or by this act, perpetually, subject

General powers.

to the power of the general assembly, under the constitution of this commonwealth.

Second. To maintain and defend judicial proceedings.

Third. To make and use a common seal and alter the same at pleasure.

Fourth. To hold, purchase and transfer such real and personal property as the purposes of the corporation require, not exceeding the amount limited by its charter or by law.

Fifth. To appoint and remove such subordinate officers and agents as the business of the corporation requires, and to allow them a suitable compensation.

Sixth. To make by-laws not inconsistent with law, for the management of its property, the regulation of its affairs and the transfer of its stock.

Seventh. To enter into any obligation necessary to the transaction of its ordinary affairs.

Classes. *Sec. 2.* The purposes for which the said corporation may be formed, shall be as follows, and shall be divided into two classes :

CORPORATIONS NOT FOR PROFIT — FIRST CLASS.

[Wherein the various forms of Corporations for Religious, Benevolent, Literary, Scientific, and Social uses and purposes are particularly specified.]

CORPORATIONS FOR PROFIT—SECOND CLASS.

[Specifying, among other forms of Corporations for profit, to wit:— Clause “XV. Building and Loan Associations,” and authorizing, by “Clause XX., The rechartering of Corporations of either of these classes, the charters whereof are about to expire.”]

Mode of incorporation. *Sec. 3.* The charter of an intended corporation must be subscribed by five or more persons, three of whom at least must be citizens of this commonwealth, and shall set forth,

- Contents of certificate.**
- I. The name of the corporation.
 - II. The purpose for which it is formed.
 - III. The place or places where its business is to be transacted.

IV. The term for which it is to exist.

V. The names and residences of the subscribers and the number of shares subscribed by each.

VI. The number of its directors and the names and residences of those who are chosen directors for the first year.

VII. The amount of its capital stock, if any, and the number and par value of shares into which it is divided.

Notice of the intention to apply for any such charter shall be inserted in two newspapers of general circulation, printed in the proper county, for three weeks, setting forth briefly the character and object of the corporation to be formed, and the intention to make application therefor.

Notice
to be
given.

[*The Clause relating to corporations of the first class omitted.*]

The certificate for a corporation embraced within the second class, named in the foregoing section, shall set forth all that is hereinbefore required to be set forth, and, *except building and loan associations*, shall also state that ten per centum of the capital stock thereof has been paid in cash to the treasurer of the intended corporation, and the name and residence of such treasurer shall be therein given. The same shall be acknowledged by at least three of the subscribers thereto, before the recorder of deeds of the county in which the chief operations are to be carried on, or in which the principal office is situated, and they shall also make and subscribe an oath or affirmation before him, to be endorsed on the said certificate, that the statements contained therein are true. The said certificate, accompanied with proof of publication of notice as hereinbefore provided, shall then be produced to the governor of this commonwealth, who shall examine the same, and if he find it to be in proper form and within the purposes named in the second class, specified in the foregoing section, he shall approve thereof and endorse his approval thereon, and direct letters-patent to issue in the usual form, incorporating the subscribers and their associates and successors into

Certifi-
cates for
second
class

a body politic and corporate, in deed and in law, by the name chosen, and the said certificate shall be recorded in the office of the secretary of the commonwealth, in a book to be by him kept for that purpose, and he shall forthwith furnish to the auditor general an abstract therefrom, showing the name, location, amount of capital stock, *and name and address of the treasurer of such corporation.** The said original certificate, with all of its endorsements, shall be then recorded in the office for the recording of deeds, in and for the county where the chief operations are to be carried on, and from thenceforth the subscribers thereto, and their associates and successors, shall be a corporation, for the purposes and upon the terms named in the said charter. Certified copies of both the records thereof and of the charters of the corporations named in the first class specified in the foregoing section shall be competent evidence for all purposes in the courts of this commonwealth. The secretary of the commonwealth shall charge and receive a fee of five dollars upon every paper relating to a corporation filed or recorded in his office.

General Provisions.

Length of grant—power to revoke. *Sec. 4.* The charters for incorporations named in this act may be made perpetual, or may be limited in time by their own provisions, and the general assembly reserves the power to revoke or annul any charter of incorporation granted or accepted under the provisions of this act, whenever in the opinion of the said general assembly it may be injurious to the citizens of this commonwealth; in such manner, however, that no injustice shall be done to the incorporators or their successors.

By-laws. *Sec. 5.* The by-laws of every corporation created under the provisions of this statute, or accepting the same, shall be deemed and taken to be its law, subordinate to this statute, the charter of the same, the constitution and laws of this commonwealth, and the con-

* Not required in Certificate for Building Association.

stitution of the United States. They shall be made by the stockholders or members of the corporation, at a general meeting called for that purpose, unless the charter prescribes another body, or a different mode. They shall prescribe the time and place of meeting of the corporation, the powers and duties of its officials, and such other matters as may be pertinent and necessary for the business to be transacted, and may contain penalties for the breach thereof, not exceeding twenty dollars.

The business of every corporation created hereunder, or accepting the same, shall be managed and conducted by a president, a board of directors or trustees, a clerk, a treasurer and such other officers, agents and factors as the corporation authorizes for that purpose. The directors or trustees shall be chosen annually by the stockholders or members, at the time fixed by the by-laws, and shall hold their office until others are chosen and qualified in their stead; the manner of such choice and of the choice or appointment of all other agents and officers of the company, shall be prescribed by the by-laws. The number of directors or trustees shall not be less than three; one of them shall be chosen president by the directors, or by the members of the corporation, as the by-laws shall direct. The members of said corporation may, at a meeting to be called for that purpose, determine, fix or change the number of directors or trustees, that shall thereafter govern its affairs; and a majority of the whole number of such directors or trustees shall be necessary to constitute a quorum. The clerk shall be sworn and shall record all the votes of the corporation, and the minutes of its transactions, in a book to be kept for that purpose. The treasurer shall give bond in such sum and with such sureties as shall be required by the by-laws, for the faithful discharge of his duties, and he shall keep the moneys of the corporation in a separate bank account, to his credit as treasurer, and if he shall neglect or refuse so to do, he shall be liable to a penalty of fifty dollars for every day he shall fail so to do, to be re-

Officers
and
their
duties.

covered at the suit of any informer in an action of debt.

Quorum of stockholders. *Sec. 6.* Every such corporation may determine, by its by-laws, what number of stockholders shall attend, either in person or by proxy, or what number of shares or amount of interest shall be represented at any meeting to constitute a quorum; if the quorum is not so determined, a majority in interest of the stockholders shall constitute a quorum.

Certificates of stock. *Sec. 7.* The directors of such corporation shall procure certificates or evidences of stock, and shall deliver them signed by the president, countersigned by the treasurer, and sealed with the common seal of the corporation, to each person or party entitled to receive the same, according to the number of shares by him, her or them respectively held, which certificates or evidences of stock shall be transferable at the pleasure of the holder, in person or by attorney duly authorized, as the by-laws may prescribe, subject, however, to all payments due or to become due thereon; and the assignee or party to whom the same shall have been so transferred, shall be a member of said corporation, and have and enjoy all the immunities, privileges and franchises, and be subject to all the liabilities, conditions and penalties incident thereto, in the same manner as the original subscriber or holder would have been, but no certificate shall be transferred so long as the holder thereof is indebted to said company, unless the board of directors shall consent thereto.

Oath of officers holding elections. *Sec. 8.* No person acting as judge or officer for holding an election for any such corporation, shall enter on the duties of his office or appointment until he take and subscribe an oath or affirmation before a judge, alderman, justice of the peace, or other person qualified by law to administer oaths, that he will discharge the duties of his office or appointment with fidelity; that he will not receive any vote but such as he verily believes to be legal, and if any such judge or officer shall, knowingly or wilfully, violate his oath or affirmation, he shall be subject to all the penalties imposed

by law upon the officers of the general election of this commonwealth violating their duties, and shall be proceeded against in like manner, and with like effect; and if any election, as aforesaid, be held without the person holding the same having first taken an oath or affirmation, as aforesaid, or be invalid for any other reason, such election shall be set aside in the manner now provided by law, and a new election ordered by the court of common pleas of the proper county, upon the petition of not less than five stockholders supported by proof satisfactory to said court.

Sec. 9. In case of the death, removal, or resignation of the president or any of the directors, treasurer or other officer of any such company, the remaining directors may supply the vacancy thus created until the next election. Vacancies.

Sec. 10. In all elections for directors, managers or trustees of any corporation created under the provisions of this statute, or accepting its provisions, each member or stockholder may cast the whole number of his votes for one candidate, or distribute them upon two or more candidates, as he may prefer; that is to say, if the said member or stockholder own one share of stock, or has one vote, and is entitled to one vote for each of six directors, by virtue thereof, he may give one vote to each of said six directors, or six votes for any one thereof, or a less number of votes for any less number of directors, and in this manner may distribute or cumulate his votes as he may see fit; all elections for directors or trustees shall be by ballot, and every share of stock shall entitle the holder thereof to one vote, in person or by proxy, to be exercised as provided in this section. Cumulative voting.

Sec. 11. The capital stock of every such corporation that has or requires a capital stock, shall consist of not more than one million dollars, and shall be divided into shares of not more than one hundred dollars each; and all subscriptions to the capital stock shall be paid in such instalments and at such times as the directors may require, and if default be made in any payment, the person or persons in default shall be Capital stock.

liable to pay, in addition to the amount so called for and unpaid, at the rate of one-half of one per centum per month for the delay of such payment, and the directors may cause suit to be brought for the recovery of the amount due, together with the penalty of one-half of one per centum per month, as aforesaid, or the directors may cause the stock to be sold in the manner provided in clause two of section thirty-nine of this act; and no stockholder shall be entitled to vote at any election, or at any meeting of the stockholders, on whose share or shares any instalments or arrearages may have been due and unpaid for the period of thirty days immediately preceding such election or meeting. The shares of the capital stock of every such company may be transferred on the books of the company, in person, or by attorney, subject to such regulations as the by-laws may prescribe; but the provisions of this section shall not apply to corporations in which by this act different and other rules and provisions are enacted for their regulation and government.

Sec. 12. The stock of every corporation created under the provisions of this statute shall be deemed personal property, and no shares shall be transferable until all previous calls thereon shall have been fully paid in or shall have been declared forfeited for the non-payment of calls thereon; and every corporation may, from time to time, at a legal meeting called for the purpose, assess upon each share of stock such sums of money as the corporation may think proper, not exceeding in the whole the amount at which each share was originally limited; and such sums assessed shall be paid to the treasurer at such times and in such instalments as the corporation directs. No note or obligation given by a stockholder, whether secured by pledge or otherwise, shall be considered as payment of any part of the capital stock, and it shall not be lawful for any such corporation to use any of its funds in the purchase of any stock in any other corporation, or to hold the same, except as collateral security for a prior indebtedness, except as provided in section thirty-seven of this act.

Sec. 13. It shall be lawful for all corporations to borrow money or to secure any indebtedness created by them, by issuing bonds, with or without coupons attached thereto, and to secure the same by a mortgage or mortgages to be given and executed to a trustee or trustees, for the use of the bondholders, upon their real estate and machinery or on their real estate alone, to an amount not exceeding one-half of the capital stock of the corporation paid in, and at a rate of interest not exceeding six per centum; but this section shall not be construed to prevent mortgages for a greater amount and at a high rate of interest, where the power to make the same is expressly given by the terms of this statute to certain classes of corporations, or is contained in the charter of any private corporations accepting this act, or in the statutes under which certain other classes thereof are by the provisions of this statute to be controlled, governed and managed.

Power
to mort-
gage.

Sec. 14. The stockholders in each of said corporations shall be liable, in their individual capacity, to the amount of stock held by each of them for all work or labor done, or materials furnished, to carry on the operations of each of said corporations, but this section shall not be construed to increase or diminish the liability of stockholders in corporations, which by the terms of this statute, are to be governed, controlled and managed by the provisions of other statutes, but their liability shall be fixed and defined by the terms of the statutes by which said corporations are to be governed, controlled and managed.

Liabil-
ity of
stock-
holders.

Sec. 15. In any action or bill in equity, brought to enforce any liability under the provisions of this act, the plaintiff may include as defendants, any one or more of the stockholders of such corporation, claimed to be liable therefor, and if judgment be given in favor of the plaintiff for his claim, or any part thereof, and any one or more of the stockholders so made defendants, shall be found to be liable, judgment shall be given against him or them. The execution upon such judgment shall be first levied on the property of such

corporation, if to be found in the county where the chief business of the corporation is carried on, and in case such property, sufficient to satisfy the same, cannot be found in said county, the deficiency, or so much thereof as the stockholder or stockholders, defendants, in such judgment, shall be liable to pay, shall be collected of the property of such stockholder or stockholders; on the payment of any judgment as aforesaid, or any part thereof, by one or more stockholders, the stockholder or stockholders so paying the same shall be entitled to have such judgment, or so much thereof as may have been paid by him or them, assigned to him or them for his or their benefit, with power to enforce the same in manner aforesaid, first against the company, and in case the amount so paid by him or them shall not be collected of the property of the corporation, then ratably against the other solvent stockholders, if any such there be originally liable for the claim on which such judgment was obtained, but no stockholder shall be personally liable for payment of any debt contracted by any such corporation, unless suit for the collection of the same shall be brought against such stockholder or stockholders within six months after such debt shall have become due.

Preferred
stock.

Sec. 16. Every corporation created under the provisions of this act, or accepting its provisions, may, with the consent of a majority in interest of its stockholders, obtained at a meeting to be called for that purpose, of which public notice shall be given during thirty days in a newspaper of the proper county, issue preferred stock of the corporation, the holders of which preferred stock shall be entitled to receive such dividends thereon as the board of directors of the corporation may prescribe, payable only out of the net earnings of the corporation.

Property may
be taken
for stock—
Deferred
stock.

Sec. 17. Every corporation created under the provisions of this act, or accepting its provisions, may take such real and personal estate, mineral rights, patent rights, and other property as is necessary for the purposes of its organization and business, and issue stock to the amount of the value thereof in payment

therefor, and the stock so issued shall be declared and taken to be full paid stock, and not liable to any further calls or assessments, and in the charter, and the certificates and statements to be made by the subscribers and officers of the corporation, such stock shall not be stated or certified as having been issued for cash paid into the company, but shall be stated or certified in this respect according to the fact. No such corporation shall issue either bonds or stock except for money, labor done, or money or property actually received, and all fictitious increase of stock or indebtedness in any form shall be void; every such corporation may provide for the issue of deferred stock in payment for such real or personal estate or mineral rights, and if so provided, it shall be expressly stated in the charter filed, or in a certificate to be made and recorded, or in the acceptance of this statute to be filed by any corporation, accepting its provisions, with the amount of such deferred stock; the consideration of the same, and the terms on which the same shall be issued, and the said stock may be made to await payments of dividends thereon, until out of the net earnings at least five per centum has been declared and paid upon the other full paid stock of the corporation.

Sec. 18. The capital stock or indebtedness of any corporation to be created under the provisions of this statute, or accepting its provisions, may be increased, from time to time, by the consent of the persons or bodies corporate holding the larger amount in value of the stock of such company, to such amount as such corporation is by this act authorized to increase its capital stock or indebtedness, but such increase shall only be made for money, labor done, or money or property actually received.

Sec. 19. That any such corporation desirous of increasing its capital stock or indebtedness as provided by this act, shall, by a resolution of its board of directors, call a meeting of its stockholders therefor, which meeting shall be held at its chief office or place of business in this commonwealth, and notice of the time, place and object of said meeting, shall be pub-

In-
crease
of capi-
tal
stock.

Elec-
tion to
increase
capital.

lished once a week for sixty days prior to such meeting, in at least one newspaper published in the county or borough wherein such office or place of business is situate.

Sec. 20. At the meeting called, pursuant to the nineteenth section of this act, an election of the stockholders of such corporation shall be taken for or against such increase, which shall be conducted by three judges, stockholders of said corporation, appointed by the board of directors to hold said election, and if one or more of said judges be absent, the judge or judges present shall appoint a judge or judges, who shall act in the place of the judge or judges absent, and who shall respectively take and subscribe an oath or affirmation before an officer authorized by law to administer the same well and truly, and according to law, to conduct such election to the best of their ability, and the said judges shall decide upon the qualification of voters, and when the election is closed count the number of shares voted for and against such increase, and declare whether the persons or bodies corporate holding the larger amount of the stock of such corporation have consented to such increase, or refused to consent thereto, and shall make out duplicate returns of said election, stating the number of shares of stock that voted for such increase, and the number that voted against such increase, and subscribe and deliver the same to one of the chief officers of said company.

Sec. 21. Each ballot shall have endorsed thereon the number of shares thereby represented, and be signed by the holder thereof, or by the person holding a proxy therefor, but no share or shares transferred within sixty days shall entitle the holder or holders thereof to vote at such election or meeting, nor shall any proxy be received, or entitle the holder to vote, unless the same shall bear date, and have been executed within three months next preceding such election or meeting; and it shall be the duty of such corporation to furnish the judges at said meeting with a statement of the amount of its capital stock, with the

names of persons or bodies corporate holding the same, and number of shares by each respectively held, which statement shall be signed by one of the chief officers of such corporation, with an affidavit thereto annexed, that the same is true and correct to the best of his knowledge and belief.

Sec. 22. That it shall be the duty of such corporation, if consent is given to such increase, to file in the office of the secretary of the commonwealth, within thirty days after such election or meeting, one of the copies of the return of such election provided for by the twentieth section of this act, with a copy of the resolution and notice calling same thereto annexed, and upon the increase of the capital stock or indebtedness of such corporation made pursuant thereto, it shall be the duty of the president or treasurer of such corporation, within thirty days thereafter, to make a return to the secretary of the commonwealth, under oath, of the amount of such increase and terms of the same; that is to say, the terms on which additional stock is issued, and in case of neglect or omission so to do, the corporation shall be subject to a penalty of five thousand dollars, which penalty shall be collected on an account settled by the auditor-general and state treasurer, as accounts for taxes due the commonwealth, are settled and collected; and the secretary of the commonwealth shall cause said returns to be recorded in a book to be kept for that purpose, and furnish a certified copy of the same to the auditor-general, and the corporation shall have the right to recover the same from the officer neglecting or omitting to file the return as aforesaid.

Sec. 23. Any corporation created under the provisions of this act, and any corporation of the classes named in the second section hereof that is now in existence by virtue of any law of this commonwealth, may reduce its capital stock by a vote of its stockholders taken in the manner and under the regulations prescribed in the eighteenth, nineteenth, twentieth, twenty-first and twenty-second sections of this act.

Sec. 24. That the officers and stockholders of cor- Capital stock may be reduced
Limit of liability.

porations organized under or accepting the provisions of this act shall not be individually liable for the debts of said corporation otherwise than in this act provided.

Construction of grant of power.

Sec. 25. The incorporation of any association of persons for the purposes named in this act, or accepting the same, shall be held and taken to be of the same force and effect as if the powers and privileges conferred, and the duties enjoined, had been conferred and enjoined by special act of the legislature, and the franchises granted shall be construed according to the same rules of law and equity as if it had been created by special charter, and no modification or repeal of this act shall affect any franchise obtained under the provisions of the same.

Return to auditor-general.

Sec. 26. No corporation of the second class shall go into operation without first having the name of the institution or company, the date of incorporation, the place of business, the amount of capital paid in, and the names of the president and treasurer of the same registered in the office of the auditor-general; and any such institution or company which shall neglect or refuse to comply with the provisions of this section, shall be subject to a penalty of five hundred dollars, which penalty shall be collected on an account settled by the auditor-general and state treasurer, as taxes on capital stock are settled and collected.

Corporations accepting.

Corporations for any of the purposes named, and covered by the provisions of this act heretofore created by any special act, or in existence under the provisions of any general law of this commonwealth, upon accepting the provisions of the constitution and of this act by writing under the seal of said corporation, duly filed in the office of the secretary of the commonwealth, shall be entitled to all the privileges, immunities, franchises and powers conferred by this act upon corporations to be created under the same, and upon such acceptance and approval thereof by the governor, he shall issue letters-patent to said corporation reciting the same.

[Sections 27 to 36, inclusive, do not apply to Building and Loan Associations.]

Special Provisions,

Sec. 37. Building and loan associations incorporated under the provisions of this act, shall have the powers, and from the date of the letters-patent creating the same, when not otherwise provided in this act, be governed, managed and controlled as follows:

Build-
ing and
loan as-
sociations.

Clause 1. They shall have the power and franchise of loaning or advancing to the stockholders thereof the moneys accumulated from time to time, and the power and right to secure the re-payment of such moneys, and the performance of the other conditions upon which the loans are to be made by bond and mortgage or other security, as well as the power and right to purchase or erect houses, and to sell, convey, lease or mortgage the same at pleasure to their stockholders or others for the benefit of their stockholders, in such manner, also, that the premiums taken by the said associations, for the preference or priority of such loans, shall not be deemed usurious; and so, also, that in case of non-payment of instalments, premiums or interest by borrowing stockholders for six months, payment of principal, premiums and interest, without deducting the premium paid, or interest thereon, may be enforced by proceeding on their securities according to law.

Clause 2. The capital stock of any corporation created for such purposes by virtue of this act, shall at no time consist in the aggregate of more than one million dollars, to be divided into shares of such denomination not exceeding five hundred dollars each, and in such number as the corporators may, in the application for their charter, specify: *Provided*, That the capital stock may be issued in series, but no such series shall at any issue exceed in the aggregate five hundred thousand dollars; the instalments on which stock are to be paid at such time and place as the by-laws shall appoint, no periodical payment of such instalments to be made exceeding two dollars on each share; and said stock may be paid off and retired as

the by-laws shall direct; every share of stock shall be subject to a lien for the payment of unpaid instalments and other charges incurred thereon, under the provisions of the charter and by-laws; and the by-laws may prescribe the form and manner of enforcing such lien; new shares of stock may be issued in lieu of the shares withdrawn or forfeited; the stock may be issued in one or in successive series, in such amount as the board of directors or the stockholders may determine; and any stockholder wishing to withdraw from the said corporation, shall have power to do so by giving thirty days' notice of his or her intention to withdraw, when he or she shall be entitled to receive the amount paid in by him or her, less all fines and other charges; but after the expiration of one year from the issuing of the series, such stockholder shall be entitled, in addition thereto, to legal interest thereon: *Provided*, That at no time shall more than one-half of the funds in the treasury of the corporation be applicable to the demands of withdrawing stockholders without the consent of the board of directors, and that no stockholder shall be entitled to withdraw whose stock is held in pledge for security; upon the death of a stockholder, his or her legal representatives shall be entitled to receive the full amount paid in by him or her and legal interest thereon, first deducting all charges that may be due on the stock; no fines shall be charged to a deceased member's account from and after his or her decease, unless the legal representatives of such decedent assume the future payments on the stock.

Clause 3. That the number, titles, functions and compensation of the officers of any such corporation, their terms of office, the times of their elections, as well as the qualifications of electors, and the ratio and manner of voting, and the periodical meetings of the said corporation, shall be determined by the by-laws when not provided by this act.

Clause 4. That the said officers shall hold stated meetings, at which the money in the treasury, if over the amount fixed by charter as the full value of a share, shall be offered for loan in open meeting, and

the stockholder who shall bid the highest premium for the preference, or priority of loan, shall be entitled to receive a loan of not more than the amount fixed by charter, as the full value of a share for each share of stock held by such stockholder: *Provided*, That a stockholder may borrow such fractional part of the amount fixed by charter as the full value of a share, as the by-laws may provide; good and ample security, as prescribed by the by-laws of the corporation, shall be given by the borrower to secure the re-payment of the loan; in case the borrower shall neglect to offer security, or shall offer security that is not approved by the board of directors, by such time as the by-laws may prescribe, he or she shall be charged with legal interest, together with any expenses incurred, and the loss in premium, if any, on a re-sale, and the money may be re-sold at the next stated meeting; in case of non-payment of instalments or interest by borrowing stockholders, for the space of six months, payment of principal and interest, without deducting the premium paid or interest thereon, may be enforced by proceeding on their securities according to law.

Clause 5. That a borrower may re-pay a loan at any time, and in case of the re-payment thereof, before the expiration of the eighth year, after the organization of the corporation, there shall be refunded to such borrower one-eighth of the premium paid for every year of the said eight years then unexpired: *Provided*, When the stock is issued in separate series, the time shall be computed from the date of the issuing the series of stock on which the loan was made.

Clause 6. That no premiums, fines, or interest on such premiums, that may accrue to the said corporation, according to the provisions of this act, shall be deemed usurious, and the same may be collected, as debts of like amount are now by law collected in this commonwealth.

Clause 7. That no corporation or association created under this act shall cease or expire from neglect on the part of the incorporators to elect officers at the time mentioned in their charter or by-laws, and all officers

elected by such corporation shall hold their offices until their successors are duly elected.

Clause 8. Any loan or building association incorporated by or under this act, is hereby authorized and empowered to purchase at any sheriff's or other judicial sale, or at any other sale, public or private, any real estate, upon which such association may have or hold any mortgage, judgment, lien, or other incumbrance, or ground rent, or in which said association may have an interest, and the real estate so purchased, or any other that such association may hold or be entitled to at the passage of this act, to sell, convey, lease, or mortgage at pleasure, to any person or persons whatsoever, and all sales of real estate heretofore made by such associations to any person or persons not members of the association so selling, are hereby confirmed and made valid.

Clause 9. All such corporations shall have full power to purchase lands and to sell and convey the same, or any part thereof, to their stockholders or others in fee simple, with or without the reservation of ground rents; but the quantity of land purchased by any one of said associations hereafter incorporated, shall not, in the whole, exceed fifty acres, and in all cases the lands shall be disposed of within ten years from the date of the incorporation of such associations respectively.

Clause 10. That all land and building associations are hereby authorized to make sale of and assign or extinguish to any person or persons the ground rents created as aforesaid.

[Sections 38 and 39 do not apply to Building Associations.]

Re-chartering corporations. *Sec. 40.* Corporations created by or under the laws of this state, embraced within either of the classes named in section two of this act, the charters whereof are about to expire by lapse of time from their own limitation, may be re-chartered, or the charters thereof renewed, under the provisions of this act, by preparing, having approved and recorded the certificate named in said section for the class of corporation of

which the same is one, in addition to the requirements provided in this act for a new corporation ; the certificate for a re-charter shall state the fact that it is a renewal of the former charter, naming the corporation and the date of its first charter. It shall also be accompanied with a certificate, under the seal of the corporation, showing the consent of at least a majority in interest of such corporation to such re-charter. It shall also state the financial condition of the said corporation at the date of such certificate, showing capital stock paid in, funded debt, floating debt, estimated value of property and cash assets, if any. It shall expressly accept the provisions of the constitution of this state and of this act, and expressly surrender all privileges conferred upon such corporation by its original charter that are not enjoyed by corporations of its class under this act or general laws of this commonwealth. From the date of recording of such certificate, if the corporation be of the first class named in section two of this act, and from the date of letters-patent, if of the second class ; the said re-chartered corporation, shall be and exist as a new corporation under the provisions of this act and of its said renewed charter, and all of the rights, privileges, powers, immunities, lands, property and assets, of whatever kind or character the same may be, possessed and owned by the said original corporation, shall vest in and be owned and enjoyed by the said re-chartered corporation, as fully and with like effect as if its original charter had not expired, save as herein and by said certificate expressly stated otherwise ; and all suits, claims and demands by said corporations in existence at the date of such re-charter, shall and may be sued, prosecuted and collected, under the laws governing the said corporation prior to its re-charter, and all claims and demands of every nature and character in existence at said re-charter, may be collected from and off the said re-chartered corporation, as fully and with like effect as if no change had taken place.

[Sections 41, 42, 43, and 46 do not apply to *Building Associations*.]

Bonus. *Sec. 44.* Every company incorporated by or under the provisions of this act, or accepting the same, except turnpike, bridge, cemetery companies or *building and loan associations*, and excepting all of those corporations named in the first class of section two of this act, shall pay to the state treasurer, for the use of the commonwealth, a bonus of one-quarter of one per centum upon the amount of the capital stock which said company is authorized to have, in two equal instalments, and a like bonus upon any subsequent increase thereof. The first instalment shall be due and payable upon the incorporation of said company, or upon the increase of the capital thereof, and the second instalment one year thereafter; and no company as aforesaid shall have or exercise any corporate powers until the first instalment of said bonus is paid, and the governor shall not issue letters-patent to any company until he is satisfied that the first instalment of said bonus has been paid to the state treasurer, and no company incorporated as aforesaid shall go into operation, or exercise any corporate powers or privileges until said first instalment or bonus has been paid as aforesaid.

Sec. 45. That it shall be the duty of the secretary of the commonwealth to prepare and publish, with every edition of the pamphlet laws, a certified list of all charters of incorporation filed in his office, and incorporated under the provisions of this act, stating the style, title, purpose and location of every such corporation, and he shall prepare and publish a complete alphabetical index to the same.

April 29, 1874. Approved by Governor HART-
RANFT.

No. 14.

AN ACT

Relating to mutual saving-fund, building, and loan associations, regulating the mode of charging premiums, bonus, or interest, in advance; of withdrawals, of repayment and collection of loans; also restricting the power to levy excessive fines, and defining the rights and liabilities of married women stockholders, and prescribing the non-application to these associations of the bonus tax and registry laws for corporations.

SECTION 1. Be it enacted, etc., That it shall be lawful for any mutual savings-fund, or building and loan association, now incorporated, or hereafter to be incorporated, in addition to dues and interest, to charge and receive the premium or bonus bid by a stockholder for preference or priority of right to a loan in periodical instalments; and such premium or bonus so paid in instalments shall not be deemed usurious, but shall be taken to be a payment, as it falls due, in contradistinction to a premium charged and paid in advance; and in so far as said premium or bonus so charged and paid, in addition to dues and interest, shall be in excess of two dollars for each periodical payment, the same shall be lawful, any law, usage, or custom to the contrary notwithstanding. It shall also be lawful for any mutual savings-fund or building and loan association to charge and deduct interest in advance, in lieu of premiums, for preference or priority of right to a loan: *Provided*, That the certificate of incorporation of each association hereafter to be incorporated, and the certificate provided in section nine of this act for those heretofore incorporated shall set forth whether the premium or bonus bid for the prior right to a loan shall be deducted therefrom in advance or paid in periodical instalments, or whether interest in advance shall be deducted from the loan, in lieu of premium or bonus.

Premiums for prior right to loans may be received in instalments.

Interest in advance may be deducted in lieu of premiums.

Voluntary
with-
drawals
regu-
lated.

Sec. 2. Stockholders withdrawing voluntarily shall receive such proportion of the profits of the association, or such rate of interest, as may be prescribed by the by-laws, any law or usage to the contrary notwithstanding; but payment of the value of stock so withdrawn shall only be due when the funds now by law applicable to the demand of withdrawing stockholders are sufficient to meet and liquidate the same, and then only in the order of the respective times of presentation of the notices of such withdrawal, which must have been presented in writing at a previous stated meeting, and have been then and there endorsed, as to times of presentation, by the officer designated by the by-laws of the association.

Involuntary
with-
drawals.

Sec. 3. The by-laws may provide for the involuntary withdrawal and cancellation at or before maturity of shares of stock not borrowed on: *Provided*, That such withdrawal and cancellation shall be *pro rata* among the shares of the same series of stock: *And provided further*, That not less than legal interest shall be credited and allowed to each share so withdrawn and cancelled.

Repay-
ment of
loans.

Sec. 4. A borrower may repay a loan at any time, and in case of the repayment thereof before the maturity of the shares pledged for said loan, there shall be refunded to such borrower (if the premiums, bonus, or interest shall have been deducted in advance) such proportions of the premiums, bonus, or advance interest bid as the by-laws may determine: *Provided*, That in no case shall the association retain more than one hundredth of said premiums or bonus for each calendar month that has expired since the date of the meeting upon which the loan was made, or, if interest in advance, it shall retain only the interest due on the loan up to the time of settlement: *And further provided*, That such borrower shall receive the withdrawing value of the shares pledged for said loan, and the shares shall revert back to the association.

Sec. 5. In case of non-payment of instalments of stock, premiums, dues, or interest by borrowing stockholders, for the space of six months, payment of the

same; together with the full principal of the loan, may be enforced by proceeding on their securities according to law; and the moneys so recovered shall be paid into the treasury of the association for such uses (loans or otherwise) as may be deemed proper by the association; and if the said moneys so recovered, together with the withdrawal value of the shares of such defaulting borrower, shall exceed the amount it would have required, according to the preceding section, to have voluntarily repaid the loan, together with all the expenses incurred by the association, such excess shall be repaid to such defaulting borrower.

Pay-
ment of
instal-
ments,
premi-
ums,
etc.,
how en-
forced.

Excess
to be
paid to
the bor-
rower.

Sec. 6. Fines or penalties for the non-payment of instalments of dues, interest, and bonus or premium shall not exceed two per centum per month on all arrearages.

Fines
limited.

Sec. 7. It shall be lawful for any married woman of full age to hold stock in any of said saving-funds, building, or loan associations, and, as such stockholder, she shall have all the rights and privileges of other members, including the right to borrow money from said associations and bid premiums therefor, and shall also have the right and power to secure such loan by transferring her said stock or other securities to said association from which the same was borrowed, or by executing bond and mortgage upon her separate real estate to secure said loan: *Provided, however,* That the husband of such married woman join in the execution of such bond and mortgage; and such married woman shall also have the right to sell, assign, and transfer her said stock, or withdraw the same, without joining the husband in such transfer or withdrawal; and it shall be lawful for any such savings-fund, building, or loan association to collect such loan made to such married woman, including the dues, interest, premium, and fines, as loans made by such association to other members are now by law collected; and such stock, or interest in such stock, shall not be liable for the debts of any husband of such married woman.

Married
women
may
hold
stock.

Their
rights
as stock-
holders
defined.

Sec. 8. The bonus or tax due to the Commonwealth upon the capital stock of corporations, as provided

Not to
be sub-
ject to
certain
laws.

for by Act of first of May, one thousand eight hundred and sixty-eight, or by any other Act, shall not apply to, or be due from, mutual savings-fund or building and loan associations; nor shall the registry for corporations, prescribed by the first section of the Act of first of May, one thousand eight hundred and sixty-eight, the first section of the Act of twenty-fourth of April, one thousand eight hundred and seventy-four, and the twenty-sixth section of the Act of twenty-ninth of April, one thousand eight hundred and seventy-four, apply to or be required of mutual savings-fund or building and loan associations.

Exist-
ing asso-
ciations
entitled
to bene-
fits of
Act.
To file
certifi-
cates of
accept-
ance.

Sec. 9. Mutual savings-fund, or building and loan associations, heretofore incorporated under the provisions of any law, shall be entitled to all the privileges, immunities, franchises, and powers conferred by this Act upon filing with the Secretary of the Commonwealth a certificate of their acceptance of the same in writing, under the duly-authenticated seal of said association, which certificate shall also prescribe their mode or plan of charging premiums, bonus, or advance interest, as set forth in the first section of this Act; and upon such acceptance, and approval thereof by the Governor, he shall issue letters-patent to said corporation reciting the same.

Letters-
patent,
to issue.
Repeal.

Sec. 10. All laws, or parts of laws, inconsistent with the provisions of the Act are hereby repealed.

Approved the tenth day of April, A. D. 1879.

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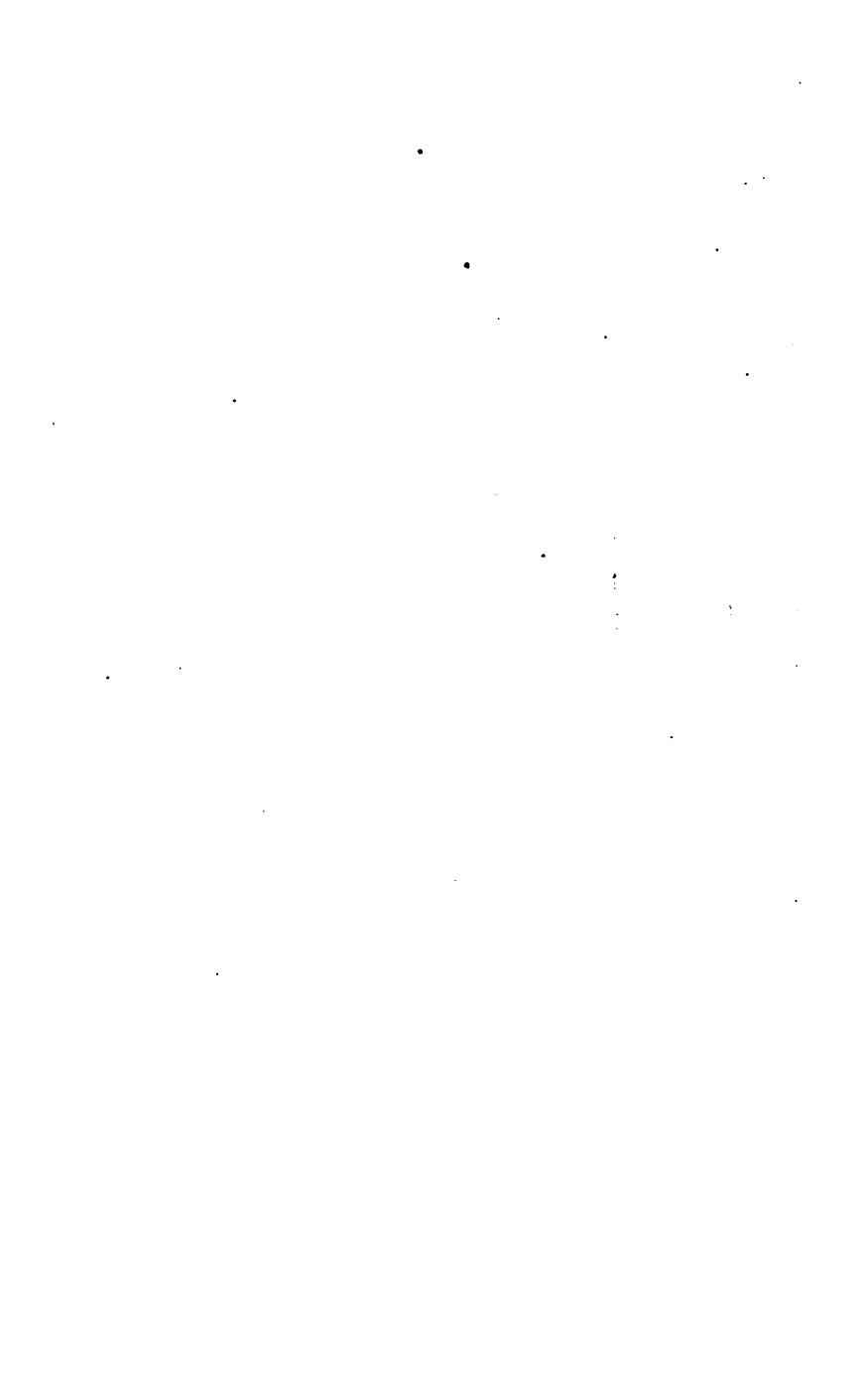
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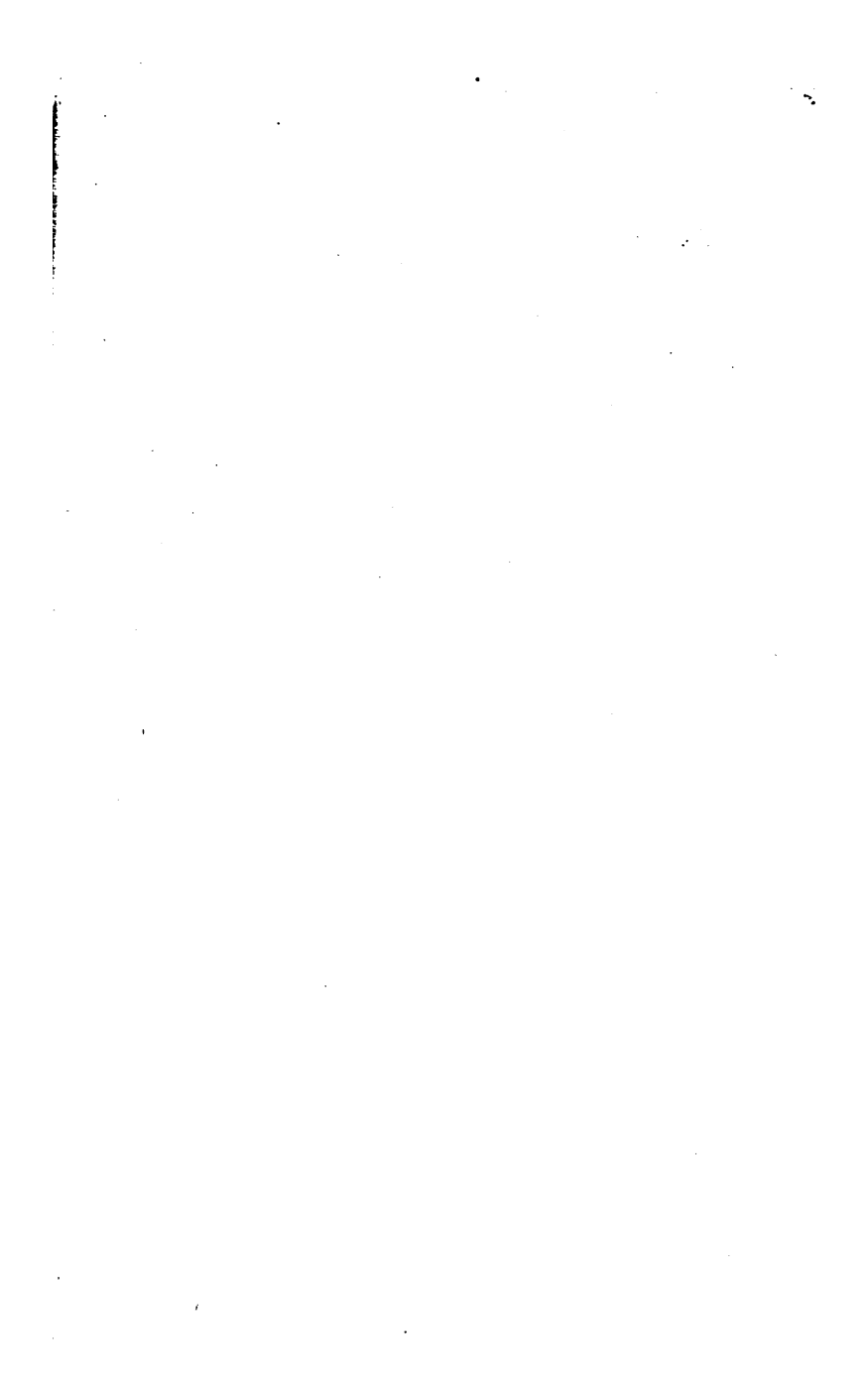
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